USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

Date: 2/26/2007

GAIN Report Number: UK7007

United Kingdom

HRI Food Service Sector

HRI Food Service Annual Report

2007

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Report Highlights:
In the United Kingdom, the foodservice sector is the 4th largest consumer driven market with over 263,000 outlets. In 2006, the market was worth over £35 billion ($68.25 billion). The major players within the UK catering business include the following: Aramark, Brakes, 3663 First For Foodservice and Whitbread. Best prospects for the foodservice industry include: snack foods, seafood, fruit, cooking sauces, frozen foods and many other products sought by cash rich UK consumers.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
London [UK1]
[UK]

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SECTION I – MARKET SUMMARY

- The foodservice market is the UK's 4th largest consumer market. The foodservice market exists to provide prepared meals and refreshments for consumption primarily outside the home.
- In 2005 the market grew by 4.2% to £35 billion ($68.25 billion). This represents sales from approximately 263,000 outlets.
- The £35 billion ($68.25 billion) foodservice market accounts for one third of all consumer food purchasing.
- In 2005, 8.3% of every consumer's pound was spent on eating out.
- In 2005, 478 million meals were consumed in the workplace, this was the top outlet out of home. 434 million meals were consumed in restaurants and 410 million in pubs/bars.
- The amount spent on food and drink out of the home grew by 2.6% in 2005.
- Sandwich consumption became even more popular increasing by 7% in 2005.
- British consumers are exposed to many different cuisines from around the world, with ethnic foods being very popular, they experienced a 6% growth in 2005.
- The foodservice market in the UK is very fragmented, consisting of not just one market but lots of smaller markets that come under the foodservice umbrella.

Overview of the foodservice market in the UK in 2005

		£ Millions at 2005 Prices			
Sector	**Outlets**	**Meals Millions**	**Purchases Food**	**Purchases Food & Drink**	**Sales Food & Drink**
Restaurants	26,416	734	£1,537	£2,119	£7,612
Quick Service	29,645	2,006	£2,130	£2,631	£8,781
Pubs	51,046	1,104	£1,243	£1,794	£5,442
Hotels	47,009	644	£1,324	£1,759	£6,579
Leisure	19,121	533	£595	£727	£2,788
Staff Catering	20,625	1,063	£978	£1,165	£2,419
Health Care	31,384	1,047	£647	£700	£822
Education	34,663	1,246	£652	£803	£1,130
Services	3,073	244	£172	£193	£206
Total 2005	**262,982**	**8,620**	**£9,276**	**£11,891**	**£35,779**

Advantages & Challenges to U.S. Products in the HRI Sector

Advantages	Challenges
Brand name recognition – there are many American chain restaurants in the UK wanting to source American food products.	Competition from many other ethnic restaurants all popular in the UK, eg. Indian, Chinese, European.
There are a relatively small number of specialist foodservice importers, capable and interested in importing from the U.S.	Price competition is fierce. However, currently good exchange rate with the US dollar.
The U.S. has a good brand image in the UK.	Strict EU import regulations and labeling/ingredient requirements.
The country is English-speaking and is therefore a natural gateway into the rest of Europe for U.S. exporters.	EU competitors do not pay import duty on goods to the UK. The U.S. generally pays 0-25 percent import duty, depending on the product.
The U.S. is a popular destination for UK tourists and familiarity with U.S. products is widespread.	Need to change image of American food, which is almost exclusively associated with fast food.

Market Structure

The foodservice market is much more complex than the grocery retail market and is generally divided up into two distinct sectors: Profit and Cost.

Profit Sector	Cost Sector
Restaurants	Staff Catering
Quick Service Restaurants	Education
Pubs	Health Care
Hotels	Custodial (Prisons)
Leisure	Welfare (Old People's Homes)

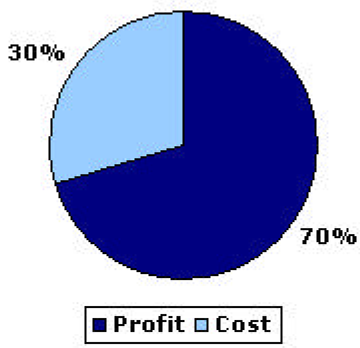
Profit Sector:

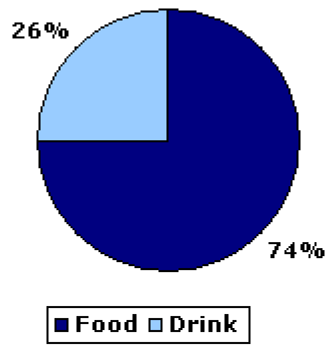
This is the area of the foodservice market in which the potential business gains are the main motivator. Pricing is flexible. In the profit sector the majority of outlets can be classified as working within the hospitality industry. eg. Restaurants, fast food, pubs, hotels, leisure venues.

Cost Sector:

Caterers within the cost sector traditionally do not derive substantial margins. Meal provision tends to be out of necessity, rather than as a result of a business opportunity being identified. Provision is governed by contract where pricing is controlled if not fixed. eg. Schools, hospitals, prisons, specialist care homes.

The following chart shows the split between cost and profit and the split between food and drink.

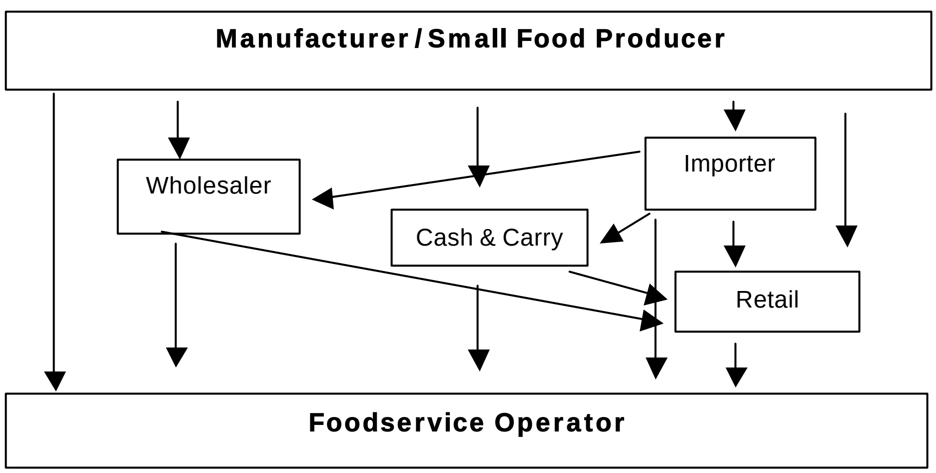




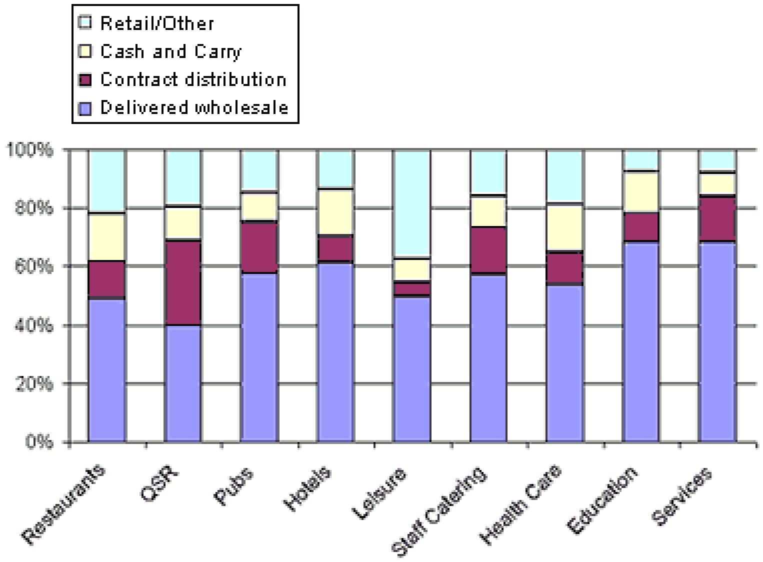
(Source: Horizon/Foodservice Intelligence, 2003)

SECTION II – ROAD MAP FOR MARKET ENTRY

The following diagram shows the most common routes to market. Although there are many varied routes, the most common way for American products is through an importer, due to their knowledge of the market, well-developed contacts and distribution systems.



Distribution channels to each sector



The foodservice sector cannot be looked at, as a single market – The role of each channel varies from sector to sector. Wholesalers, for instance, account for over 60% of the hotels, education and services sectors. However, the quick service sector sources only 40% of its food in this way but gets almost 25% of its food supplies from cash and carries.

Sub Sector Profiles

Following are institutions within the HRI sector:

Restaurants
The restaurants referred to in this sector, cover establishments where you would sit down to a meal. 44% of consumers eat in a restaurant once a month or more. Eating in a restaurant is more likely to be a planned event for a specific purpose.

Key players include: Conran, Café Rouge, City Centre Restaurants, Out of Town Restaurants

Quick Service Restaurants
38% of consumers eat in a fast food outlet once a month or more. In common with cafés they offer a quick meal on the go, but lack the social element of a café. One in four consumers eat in a quick service restaurant because their children or grandchildren want to eat there.

Key players include: McDonald's, Burger King, Wimpy, KFC, Pizza Hut, Pret a Manger

Hotels & Resorts
Each site is counted as one outlet, even though there might be several foodservice components within it eg. restaurant, bar, room service, leisure.

Key players include: Hilton, Holiday Inn, Marriott, Intercontinental, The Savoy Group

Pubs
Places with good service and a relaxed atmosphere are key to people's expectations of eating in a pub. Low prices and price promotions are also key and is one of the main differences between restaurants and pubs. 36% of consumers eat in a pub once a month or more. Eating in a pub is primarily a social event with friends. Pubs are seen to offer a convenient option when compared to a restaurant or eating at home.

Key players include: Scottish & Newcastle, JD Wetherspoon, Corney & Barrow Ltd, Fuller, Smith & Turner Plc, Young & Co's Brewery Plc.

Leisure Parks
These include everything from visitor attractions such as museums, zoos, theme parks. Entertainment eg: theatres, cinemas, sports stadiums and gambling. Clubs eg: health clubs and fitness centers, sports and social clubs. Caterers eg: events caterers, mobile caterers. On Board Travel eg: airline catering, ferry catering, rail catering, bus and coach catering.

Key players include: UCI Cinemas, Odeon Cinemas, Living Well Fitness, David Lloyd, Cannons.

Cafeterias & Cafés
The UK branded café market has grown hugely in recent years. In 1997, there were just 778 branded outlets in the UK, however, by 2005 this number had grown to 2,428. Now 30% of all cafés in the UK are owned by branded chains. It is expected that by 2009, the market will be worth more than £1 billion.

The coffee shop sector consists of outlets that serve hot and cold beverages, but no alcohol. They also serve snack foods such as cakes, sandwiches, soups and salads, although serving food is not their main domain of business. 38% of consumers eat in a café once a month or more. Cafés are seen to offer quick meals for time pressured consumers and are also a good place to meet friends. Cafés are associated more with daytime dining. 48% of consumers choose cafés as a place to eat while out shopping. 43% of consumers will drink specialty coffees such as lattés or cappuccinos when visiting cafés, compared to 1% of consumers who drink specialty coffees in the home.

Key players include: Starbucks, Costa, Eat, Pret A Manager, Café Nero, Coffee Republic.

Staff Catering
These include trolley services as well as areas where full meals are sold eg. Self run canteens, Contracted canteens, National Government canteens, Off shore catering.

Education
This includes all food and drinks served in schools of all levels from nurseries to universities.

Health Care
Meals counted in the health care sector include those served to patients, staff and visitors and include: hospitals, nursing homes and care homes.

Custodial
Includes Police stations, Fire stations, Armed Forces and Prisons.

Welfare
Includes Meals on Wheels, Luncheon Clubs and Day Centers.

SECTION III – COMPANY PROFILES

The following companies are some of the biggest players in the UK foodservice industry: Aramark, Brakes, Compass, 3663 First For Foodservice, Mitchells and Butlers, Sodexho and Whitbread.

Aramark

	Aramark Ltd. Millbank Tower, 21-24 Millbank London, SW1P 4QP Tel: +44 (0) 20 7963 0000 Fax: +44 (0) 20 7963 0500 Website: www.aramark.co.uk

Aramark is a leader in professional services providing award winning food services and facilities management. They work with healthcare institutions, universities and schools, stadiums and arenas and businesses around the world.

Brakes

	Brakes Enterprise House, Eureka Business Park Ashford, Kent, TN25 4AG Tel: +44 (0) 845 606 9090 Website: www.brake.co.uk

Brakes is a market leader of delivered wholesale in the UK supplying frozen, chilled and grocery products to sectors across the foodservice industry.

Compass Group

	Compass Group plc Compass House, Guildford Street Chertsey, Surrey, KT16 9BQ Tel: +44 (0) 1932 573 000 Fax: +44 (0) 1932 569 956 Website: www.compass-group.com

The Compass Group are a leading foodservice company. They have over 400,000 employees who specialize in providing food, vending and related services to clients in over 90 countries. They have six main sectors in which they work: Business & Industry, Fine Dining, Defense, Offshore and Remote Sites, Education, Healthcare and Seniors and Vending.

Clients include: Caffe Ritazza, Upper Crust and Harry Ramsdens

3663 First For Foodservice

	3663 First for Foodservice Buckingham Court Kingsmead Business Park London Road, High Wycombe Bucks HP11 1JU

	Tel: +44 (0) 870 3663 100 Fax: +44 (0) 870 3663 199 Website: www.3663.co.uk

3663 First for Foodservice are the UK's leading foodservice company with sales of over £1 billion a year. They deliver quality ingredients, finished products and equipment to the catering industry including restaurants, pubs, cafes and clubs across the UK, schools, hospitals and Government departments. They have a fleet of 1,100 vehicles and deliver to over 50,000 customers.

Clients include: Compass Plc, Pret A Manager and Burger King.

Mitchells & Butlers

	Mitchells & Butlers plc 27 Fleet Street Birmingham, B3 1JP Tel: +44 (0)870 609 3000 Fax: +44 (0)121 233 2246 Website: www.mbplc.com

Mitchells & Butlers is the leading operator of managed pubs and pub restaurants in the UK. They have around 2,000 businesses offering food, drink, entertainment and accommodation in prime locations across the country.

Clients include: Alex Gastro, All Bar One, Brown's Restaurants, Express by Holiday Inn, Flares Bars, Harvester Restaurants, Hollywood Bowl, Inn Keepers Lodge, Nicholson Pubs, O' Neills Pubs, Sizzling Pub Co and Toby's Carvery.

Sodexho

	Sodexho UK Ltd Capital House, 2nd Floor 25 Chapel Street London, NW1 5DH Tel:+ 44 (0) 20 7535 7400 Fax:+ 44 (0) 20 7535 7401 Website: www.sodexho.co.uk

Sodexho has a good reputation with clients. They have 48,000 staff in the UK and Ireland and have more than 2,300 client locations across all market sectors including business and industry, education, healthcare, defense and leisure sectors.

Whitbread PLC

	Whitbread Group plc Whitbread Court Houghton Hall Business Park Porz Avenue, Dunstable, LU5 5XE Tel: +44 (0) 1582 424200 Website: www.whitbread.co.uk

Whitbread Plc is one of the UK's leading hospitality companies, managing top brands in hotels, restaurants and health and fitness clubs. They employ 45,000 people and have over 1,400 outlets across the UK.

Clients include: Premier Travel Inn, Brewers Fayre, Beefeater, Costa and David Lloyd Leisure.

SECTION IV – BEST PRODUCT PROSPECTS

U.S. products which do well in the UK foodservice industry are: snack foods, fresh and dried fruit, nuts, salmon and seafood, cooking sauces, salad dressings, confectionery, dips and salsas, frozen foods, wine and beer.

The UK government is increasingly promoting healthy eating and healthy lifestyles. There are opportunities for U.S. products that are natural, wholesome and healthy.

The table below shows the best high value product prospects for the UK foodservice market:

Product Category	***Total UK Imports 2005 ($ million)***	***UK Imports From U.S. 2005 ($ million)***	***Average Annual U.S. Import Growth (last 3 yrs)***	***U.S. Import Tariff Rate***	***Key Constraints to Market Development***	***Market Attractiveness for USA***
Fish and Seafood HS: 03	*2,106.1*	*67.3*	*19.5%*	*0-22%*	*Highly fragmented market, domestic shortfall currently bridged by Baltic States*	*U.S. #1 canned salmon supplier, high level of interest in other products and species*
Chocolate confectionery HS: 1806	*1,083.5*	*8.7*	*26.1%*	*8-27%*	*Domestic & EU competition, low acceptance of American chocolate taste*	*British eat more chocolate than any other nationality, apart from the Swiss*
Vegetables & Fruit prepared in Vinegar HS:2001	*64.6*	*1.26*	*100%*	*0-16%*	*Competition from Turkey, Netherlands and India*	*Food has long shelf life*
Preserved fruit & nuts HS: 2008	*422.7*	*15.6*	*22.8%*	*7-27%*	*Competition from EU + Thailand & South Africa*	*U.S. nut butters perceived as high quality, exotic preserved fruits of interest for gift/specialty trade*
Fruit & Vegetable Juice HS: 2009	*742.6*	*6.8*	*16%*	*16-23%*	*Competition from EU and Brazil*	*High focus on healthy living in UK. Juices now more popular than carbonated drinks*
Soft drinks HS: 2202	*759.7*	*8.8*	*2.5%*	*0-10%*	*Domestic & EU competition, strong brands, market reaching saturation*	*New U.S. concepts in beverages always attractive, e.g. functional drinks*
	656.5	*2.3*	*5.2%*	*0%*	*Domestic & EU competition, major*	*U.S. micro-brew beers, or quirky*

Beer HS: 2203					*brewers located in EU*	*beers with a story are attractive to a niche audience*
Wine HS: 2204	*4,271.1*	*239.5*	*5.5%*	*18-25%*	*Competition from EU + Australia + Latin America. Figure shows a minus due to wine being shipped to Italy and then the UK.*	*UK #1 export market for U.S. wine, California wine has 14% market share, other parts of U.S. should benefit in future*

SECTION V – POST CONTACT AND FURTHER INFORMATION

If you have any questions or comments regarding this report or need any other assistance exporting to the United Kingdom, please contact the USDA office in London at the following address:

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