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## United Kingdom

### HRI Food Service Sector

### HRI Food Service Annual Report

**2008**

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**Report Highlights:**

In the United Kingdom, the HRI sector is the 4th largest segment of the consumer driven market following food retail, motoring and clothing and footwear with over 263,000 outlets. In 2006, the UK eating out of home market was worth £38 billion (\$76.38 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.

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London [UK1]  
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**SECTION I – MARKET SUMMARY**

- The HRI market is the UK's 4<sup>th</sup> largest consumer market following food retail, motoring and clothing and footwear. The HRI market exists to provide prepared meals and refreshments for consumption primarily outside the home.
- In 2006 the UK eating out of home market was worth £38 billion (\$76.38 billion). This represents sales from approximately 263,000 outlets.
- The £38 billion (\$76.38 billion) foodservice market accounts for one third of all consumer food purchasing.
- A national ban on smoking was introduced in all eating establishments within the UK on July 1, 2007. The overall impact of this has so far been: increases in sales of food and slight falls in sales of alcohol.
- 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.
- 30% of shoppers eat out once a week or more compared to 13% in 2003.
- Sandwich bars currently have the highest growth rate with 10% annual growth.
- British consumers are exposed to many different cuisines from around the world, with non-European foods being very popular, as many as 7 out of 10 (68%) Britons stating they like and eat non-European foods.
- The UK foodservice sector serves 8.6 billion meals a year – 39,000 a minute.

**Overview of the foodservice market in the UK in 2006**

Sector	No. of Outlets & Meals		£ Millions at 2006 Prices		
	Outlets	Meals Millions	Purchases Food	Purchases Food & Drink	Sales Food & Drink
<b>Restaurants</b>	26,629	750	£1,622	£2,237	£8,033
<b>Quick Service</b>	29,784	2,034	£2,210	£2,730	£9,160
<b>Pubs</b>	50,989	1,125	£1,306	£1,886	£5,724
<b>Hotels</b>	46,562	645	£1,366	£1,817	£6,825
<b>Leisure</b>	19,234	537	£621	£760	£2,921
<b>Staff Catering</b>	20,436	1,061	£1,005	£1,197	£2,488
<b>Health Care</b>	31,577	1,050	£673	£728	£854
<b>Education</b>	34,608	1,230	£700	£862	£1,215
<b>Services</b>	3,068	249	£182	£204	£218
<b>Total 2006</b>	<b>262,888</b>	<b>8,682</b>	<b>£9,684</b>	<b>£12,421</b>	<b>£37,439</b>

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

<b>Advantages</b>	<b>Challenges</b>
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 US.	Price competition is fierce. However, currently good exchange rate with the US dollar.
The US 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 US exporters.	UK importers don't pay duty on EU origin goods. The importers of US origin products generally pay 0-25 percent import duty, depending on the product.
The US is a popular destination for UK tourists and familiarity with US 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:**

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.

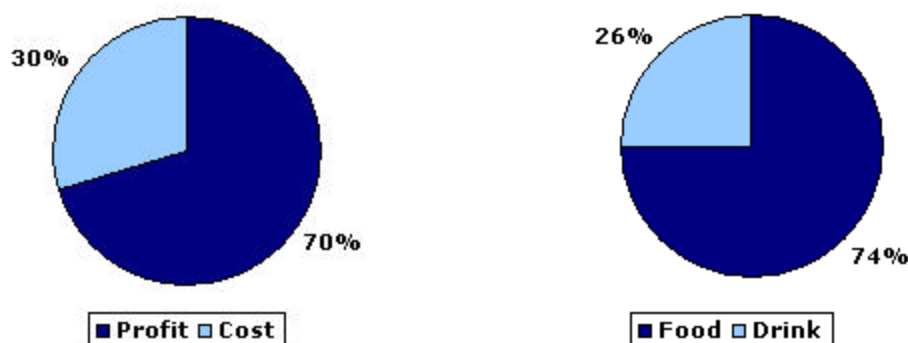
**Profit Sector**

Restaurants  
Quick Service Restaurants  
Pubs  
Hotels  
Leisure

**Cost Sector**

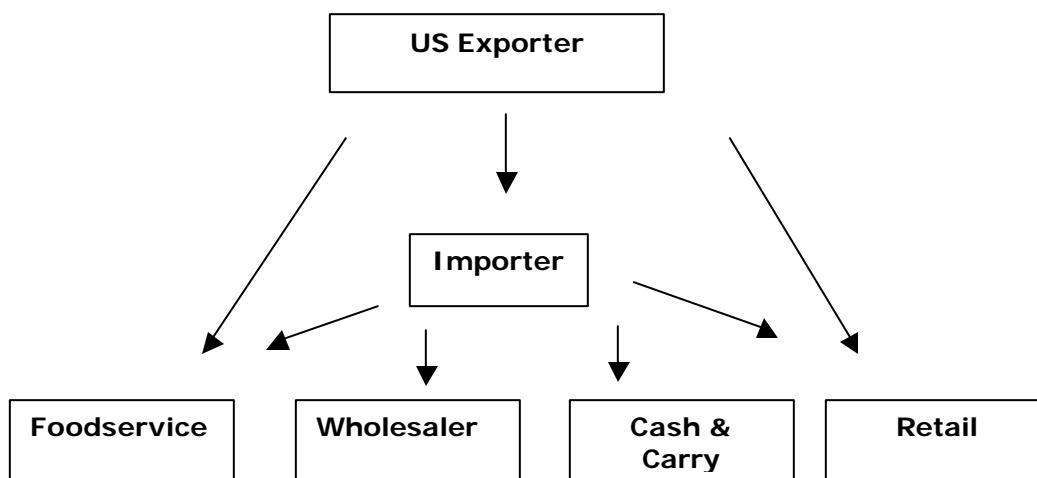
Staff Catering  
Education  
Health Care  
Custodial (Prisons)  
Welfare (Long term care facilities)

The following chart shows the split between the cost and profit subsectors and the split between the amount of food and drink distributed by both.

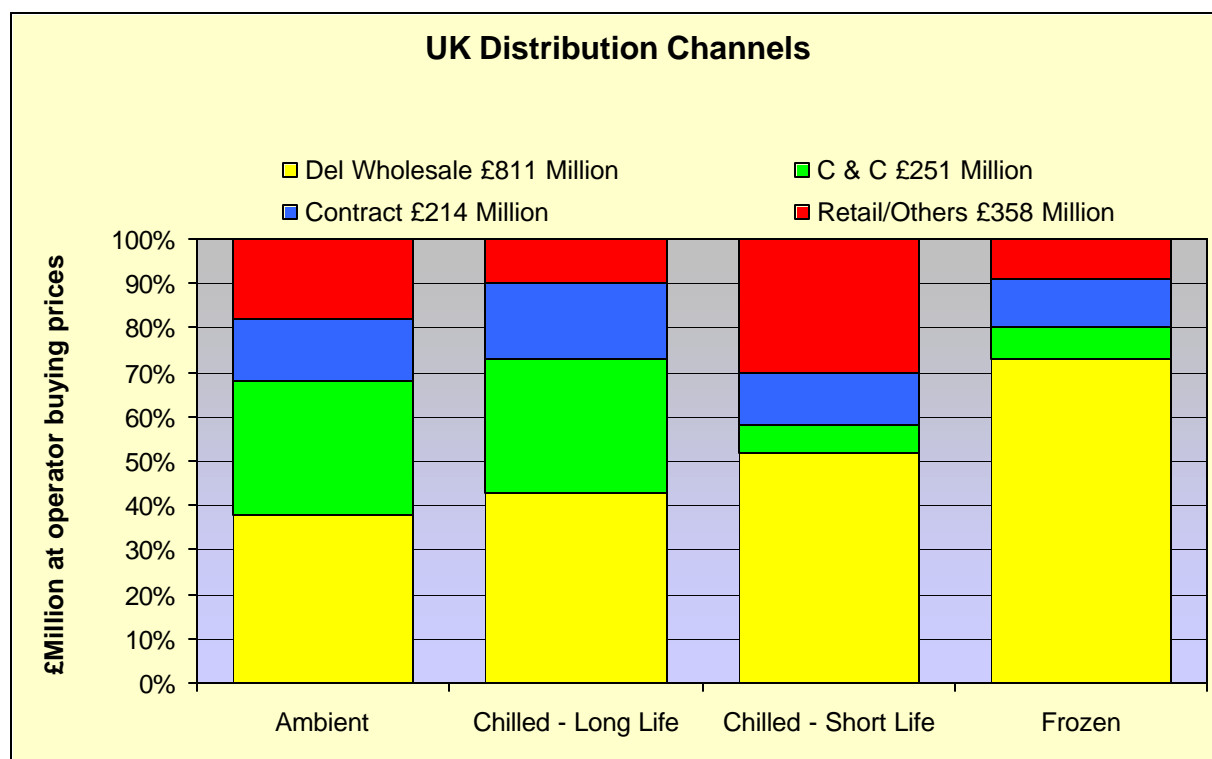


## SECTION II – ROAD MAP FOR MARKET ENTRY

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 example, distribute a lot more frozen foods than ambient products and the retail sector has the most chilled short-life products.

### Sub Sector Profiles

Following are institutions within the HRI sector:

#### Restaurants

The restaurants referred to in this sector, cover establishments where one would sit down to a meal. Forty four percent 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

Thirty eight percent 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. Fast food chains will continue to develop healthier alternatives to their standard offerings as consumers demand healthier options.

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. Thirty six percent 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.

A smoking ban was introduced in all eating establishments throughout the UK on July 1, 2007. Food sales have shown good growth since the ban was introduced.

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. Thirty eight percent 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. Forty eight percent of consumers choose cafés as a place to eat while out shopping. Forty three percent of consumers will drink specialty coffees such as lattes 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. In the last couple of years guidelines have been changed so that meals served are healthy and nutritional.

### 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. As with the educational sector, nutritional needs are under scrutiny in this area.

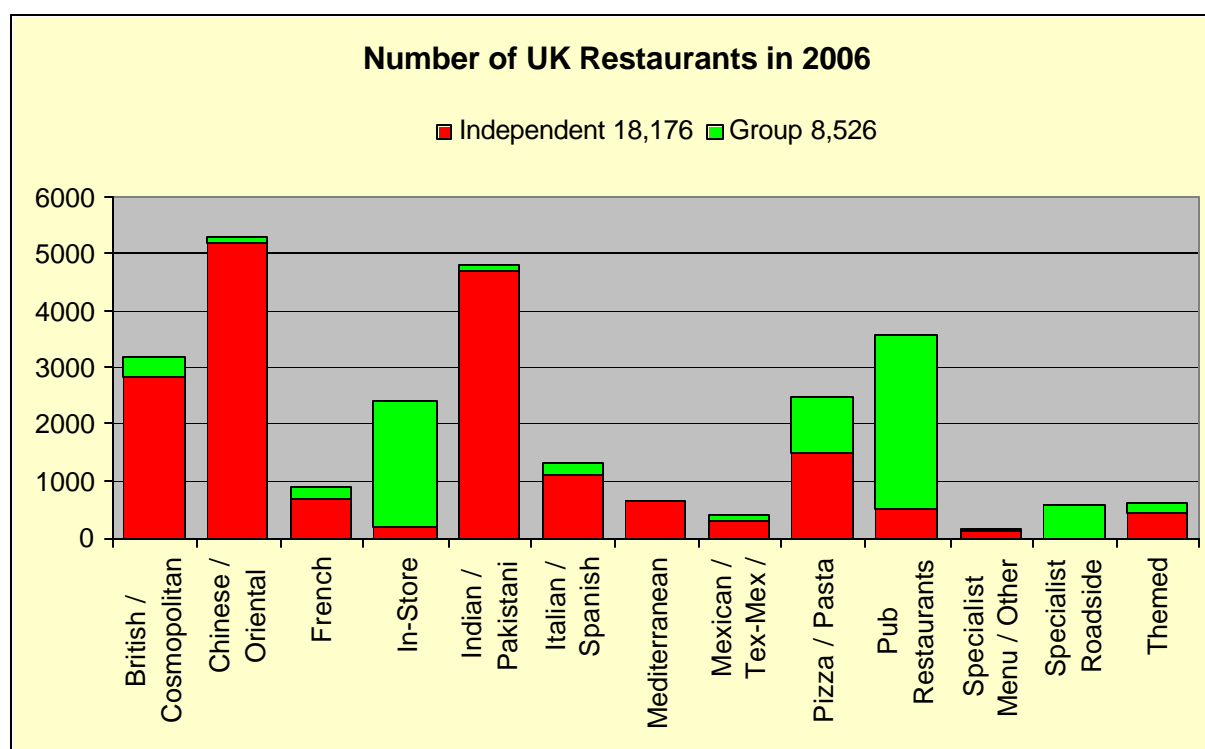
### Custodial

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

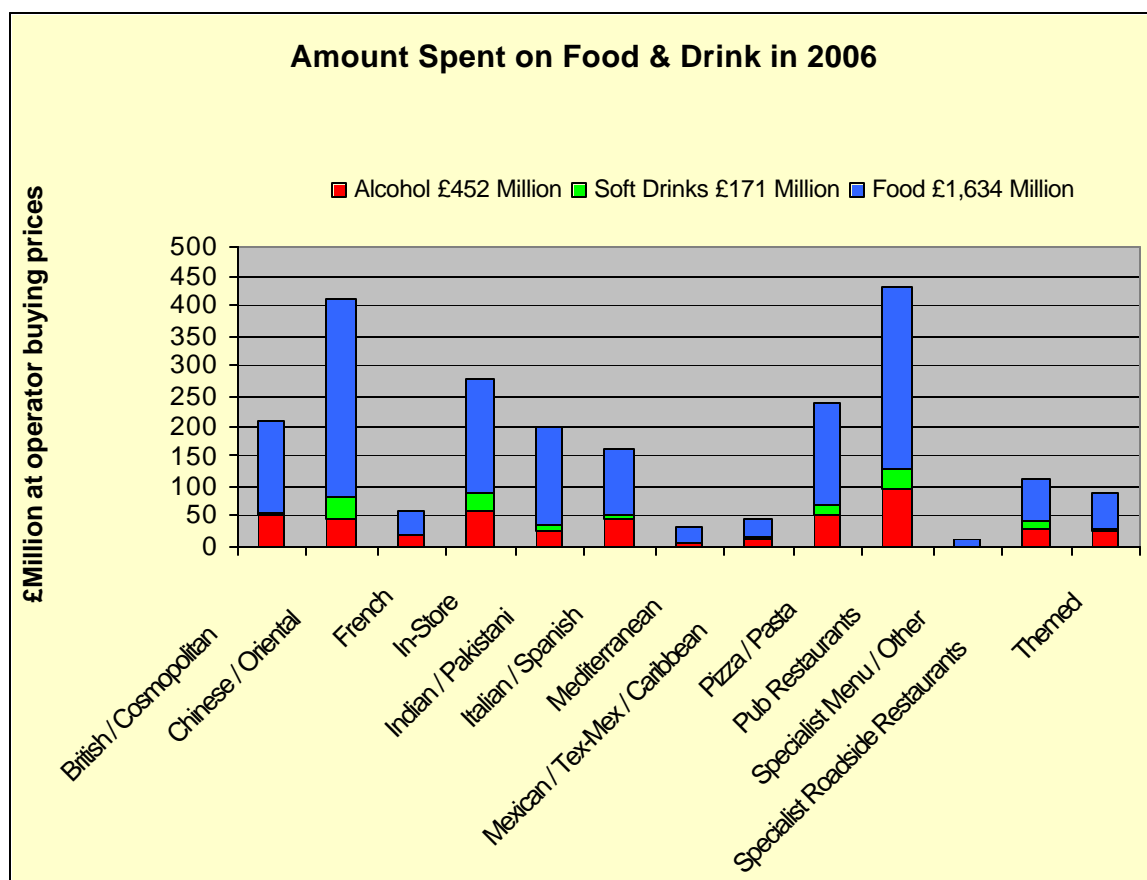
### Welfare

Includes Meals on Wheels, Luncheon Clubs and Day Centers.

The following two graphs show the number of specific types of restaurants and the breakdown on how much is spent on food and drink.







### 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, Sodexo and Whitbread.

#### Aramark

	<p>Aramark Ltd.  Millbank Tower, 21-24 Millbank  London, SW1P 4QP  Tel: +44 (0) 20 7963 0000  Fax: +44 (0) 20 7963 0500  Website: <a href="http://www.aramark.co.uk">www.aramark.co.uk</a></p>
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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**

	<p>Brakes Enterprise House, Eureka Business Park Ashford, Kent, TN25 4AG Tel: +44 (0) 1233 206 000 Website: <a href="http://www.brake.co.uk">www.brake.co.uk</a></p>
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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**

	<p>Compass Group plc Compass House, Guildford Street Chertsey, Surrey, KT16 9BQ Tel: +44 (0) 1932 573 000 Fax: +44 (0) 1932 569 956 Website: <a href="http://www.compass-group.com">www.compass-group.com</a></p>
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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**

	<p>3663 First for Foodservice 3<sup>rd</sup> Floor, Warwick House Castlebrook Business Park, Pilsworth Road Bury, BL9 8RT Tel: +44 (0) 870 3663 720 Website: <a href="http://www.3663.co.uk">www.3663.co.uk</a></p>
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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**

	<p>Mitchells &amp; Butlers plc 27 Fleet Street Birmingham, B3 1JP Tel: +44 (0)870 609 3000 Fax: +44 (0)121 233 2246 Website: <a href="http://www.mbplc.com">www.mbplc.com</a></p>
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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

	<p>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: <a href="http://www.sodexho.co.uk">www.sodexho.co.uk</a></p>
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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

	<p>Whitbread Group plc Whitbread Court Houghton Hall Business Park Porz Avenue, Dunstable, LU5 5XE Tel: +44 (0) 1582 424200 Website: <a href="http://www.whitbread.co.uk">www.whitbread.co.uk</a></p>
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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 Coffee 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:

<b>Product Category</b>	<b>Total UK Imports 2006 (\$ million)</b>	<b>UK Imports From U.S. 2006 (\$ million)</b>	<b>Percentage Change 05-06</b>	<b>U.S. Import Tariff Rate</b>	<b>Key Constraints to Market Development</b>	<b>Market Attractiveness for USA</b>
<i>Fish and Seafood HS: 03</i>	2,465.8	77.1	14.6%	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
<i>Chocolate confectionery HS: 1806</i>	1,156.5	9.8	26.8%	8-27%	Domestic & EU competition, low acceptance of American chocolate taste	British eat more chocolate than any other nationality, apart from the Swiss
<i>Vegetables &amp; Fruit prepared in Vinegar HS: 2001</i>	70.5	1.69	34.05%	0-16%	Competition from Turkey, Netherlands and India	Food has long shelf life
<i>Preserved fruit &amp; nuts HS: 2008</i>	433.7	17.3	10.9%	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
<i>Fruit &amp; Vegetable Juice HS: 2009</i>	857.2	7.1	3.85%	16-23%	Competition from EU and Brazil	High focus on healthy living in UK. Juices now more popular than carbonated drinks
<i>Soft drinks HS: 2202</i>	840.4	9.6	9.41%	0-10%	Domestic & EU competition, strong brands, market reaching saturation	New U.S. concepts in beverages always attractive, e.g. functional drinks
<i>Other Beverages HS: 2203</i>	155.1	7.0	60.9%	0%	Domestic & EU competition, major brewers located in EU	U.S. micro-brew beers, or quirky beers with a story are attractive to a niche audience
<i>Wine HS: 2204</i>	4,256.2	233.7	-2.46%	18-25%	Competition from EU, Australia, Latin America & S. Africa. Figure shows a	UK #1 export market for U.S. wine, California wine has 16% market share,

					<i>minus due to wine being shipped to Italy and then the UK.</i>	<i>other parts of U.S. should benefit in future</i>
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**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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