



Horizons

Annual Briefing

**The latest foodservice information and
trends brought to you**

28 April 2010



Introduction

Andrew Haigh
Managing Partner and
Head of Entrepreneurs
Coutts

A look into UK spending prospects

Philip Shaw
Chief Economist
Investec



Horizons

Trends in numbers

Peter Backman

Managing Director

Horizons



Headlines

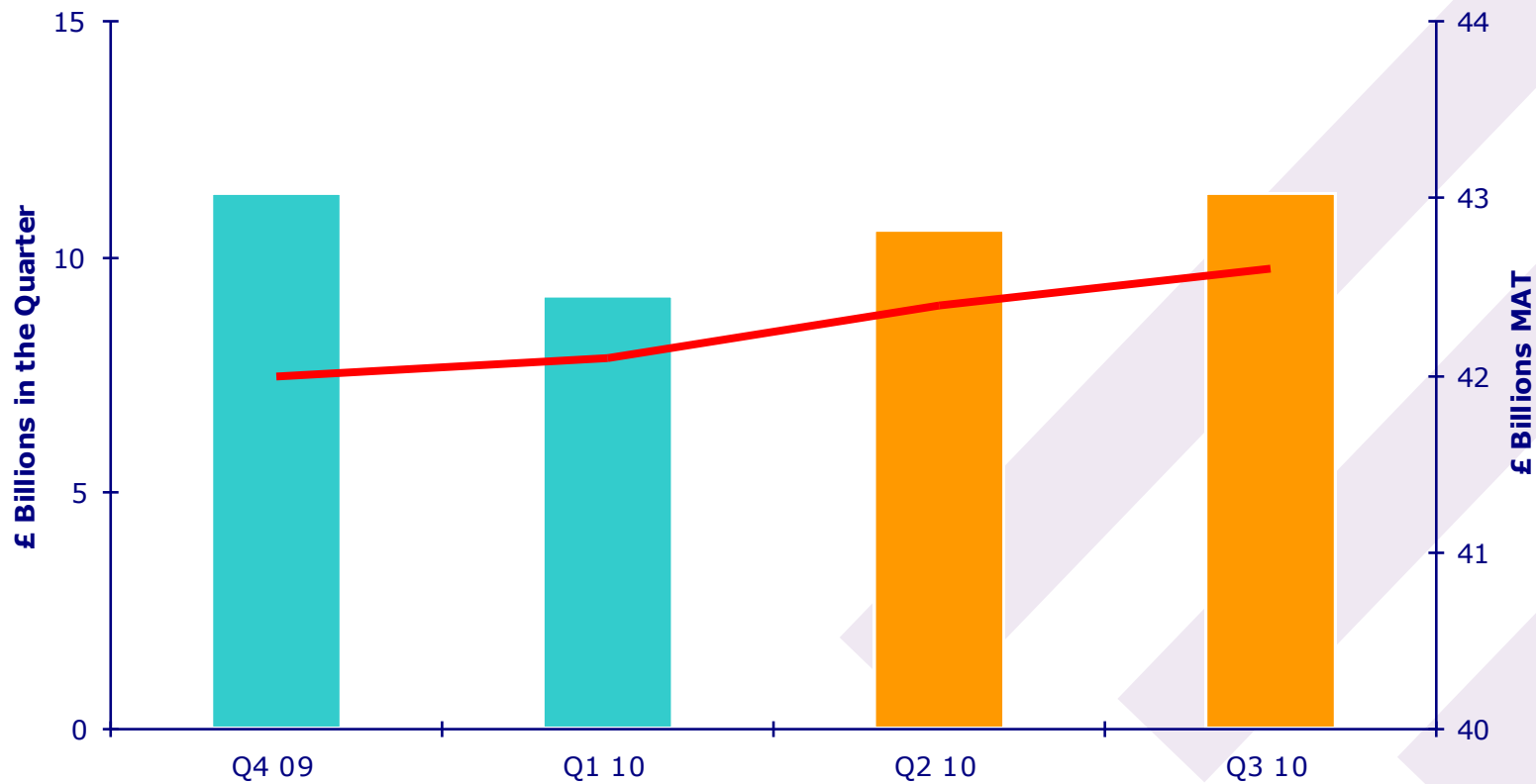
- In 2009 the market* fell to £42.0 billion
 - -£583 million
- Over the next 18 months the market will grow:
 - From an impoverished base
 - It won't reach 2008 levels until 2011
 - Poor performers will be winnowed out

* Food and Beverage sales to consumers

Source: Market Dynamics Toolbox

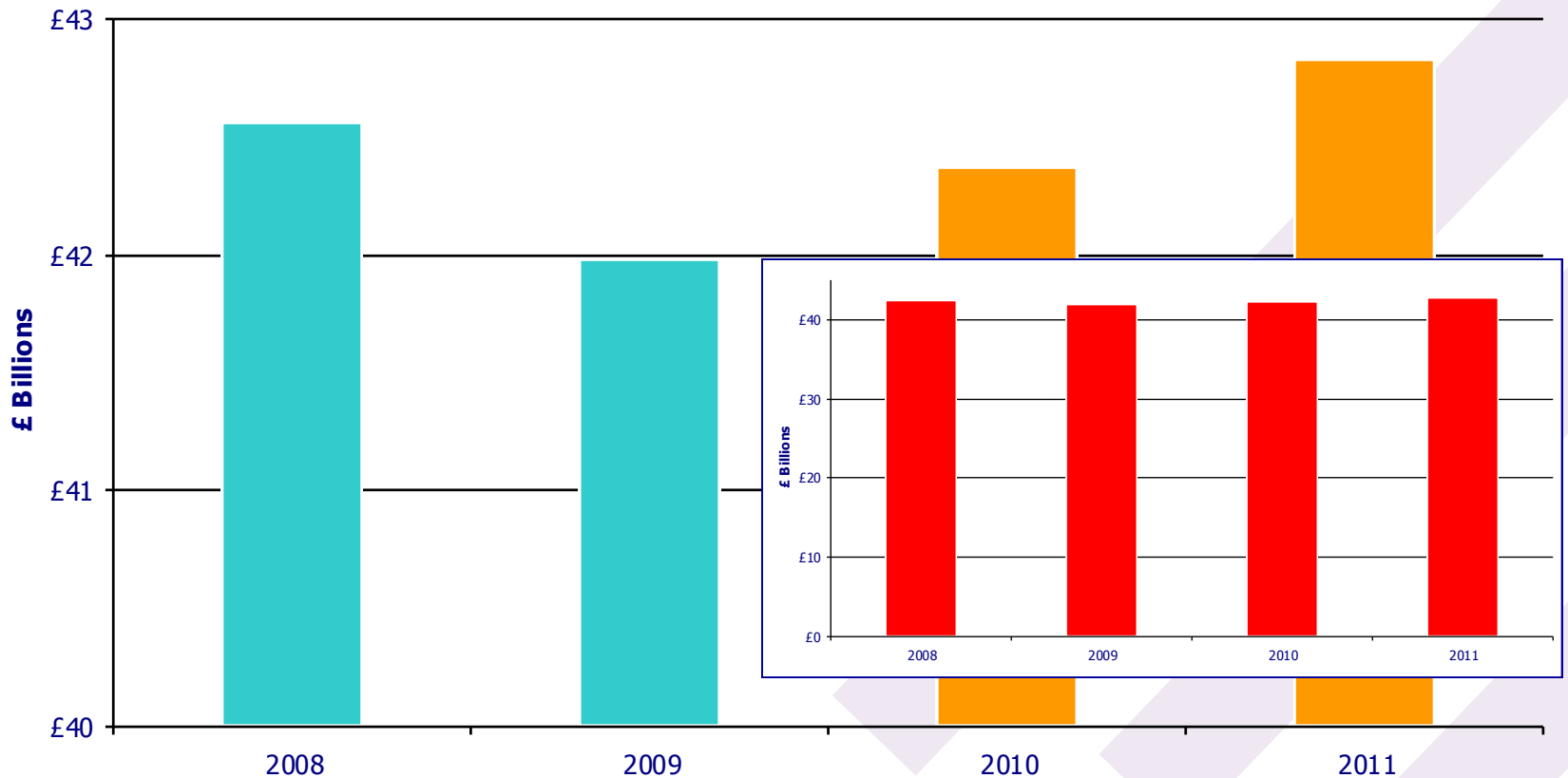
F&B Sales

The short term: Q4 '09 – Q3 '10



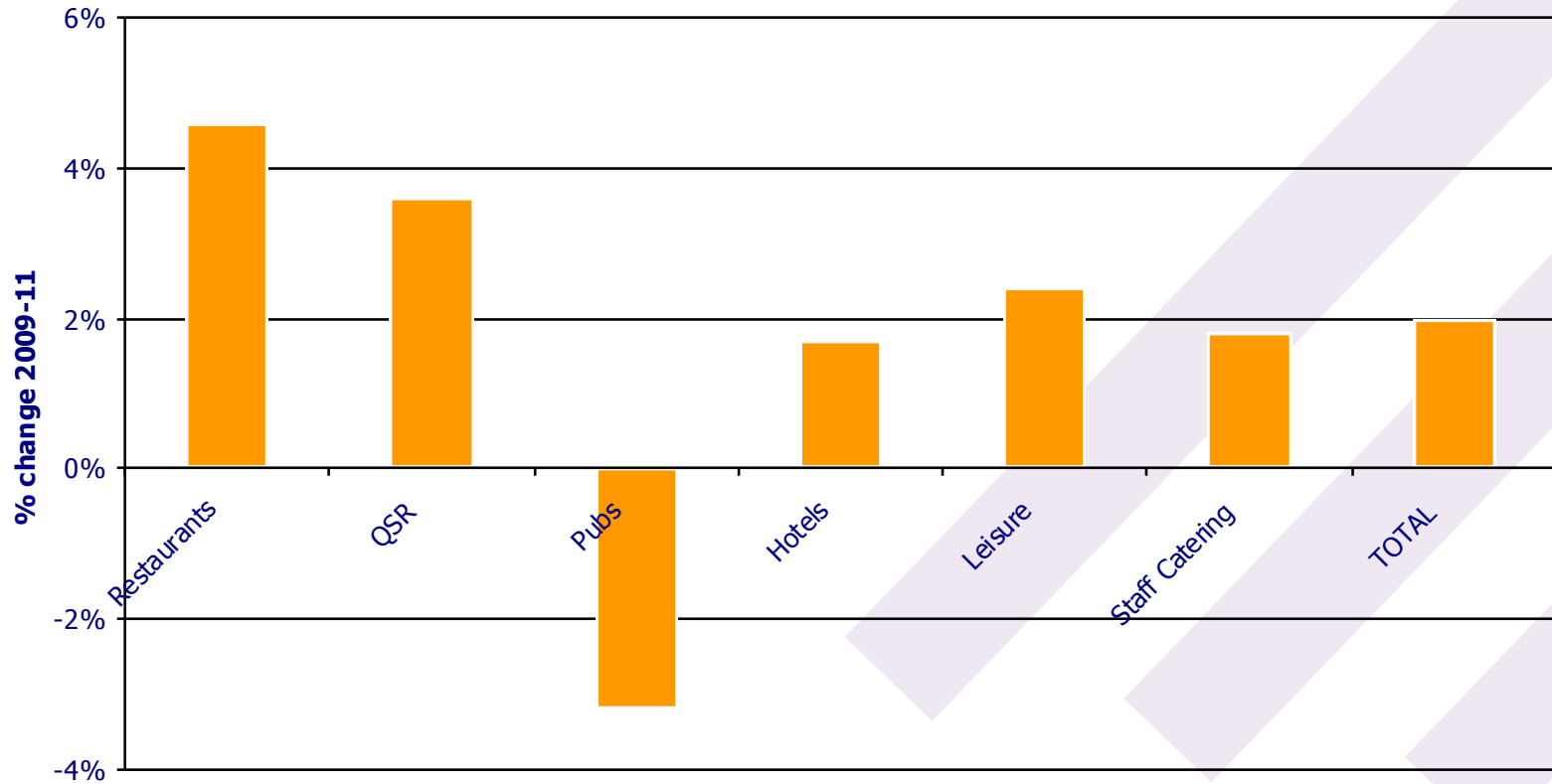
Source: Quarterly Briefing Report

F&B Sales: 2008-2011



Source: Market Dynamics Toolbox

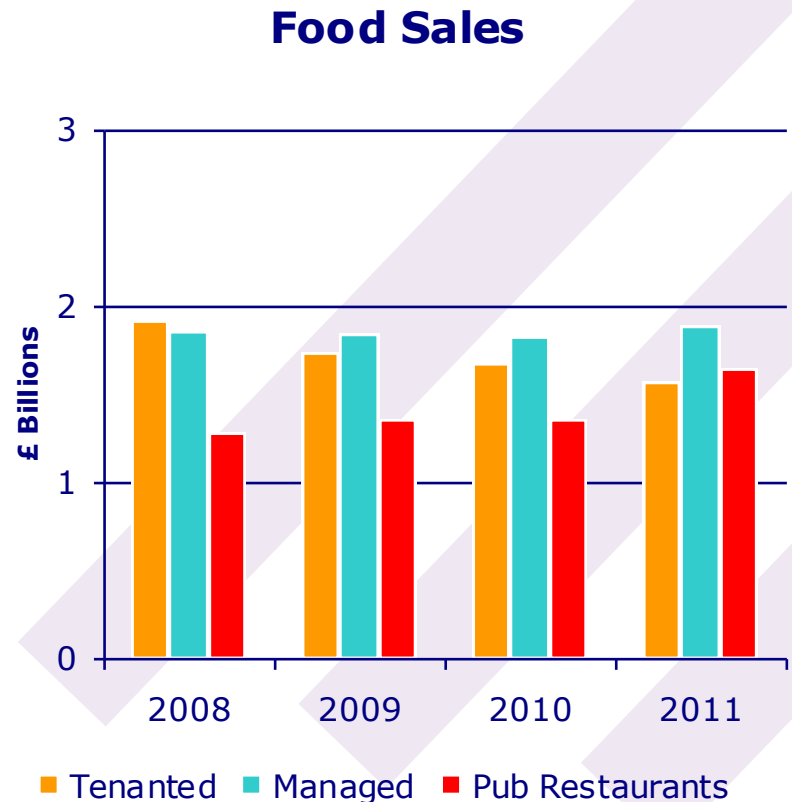
F&B Sales: % change 2009-2011



Source: Market Dynamics Toolbox

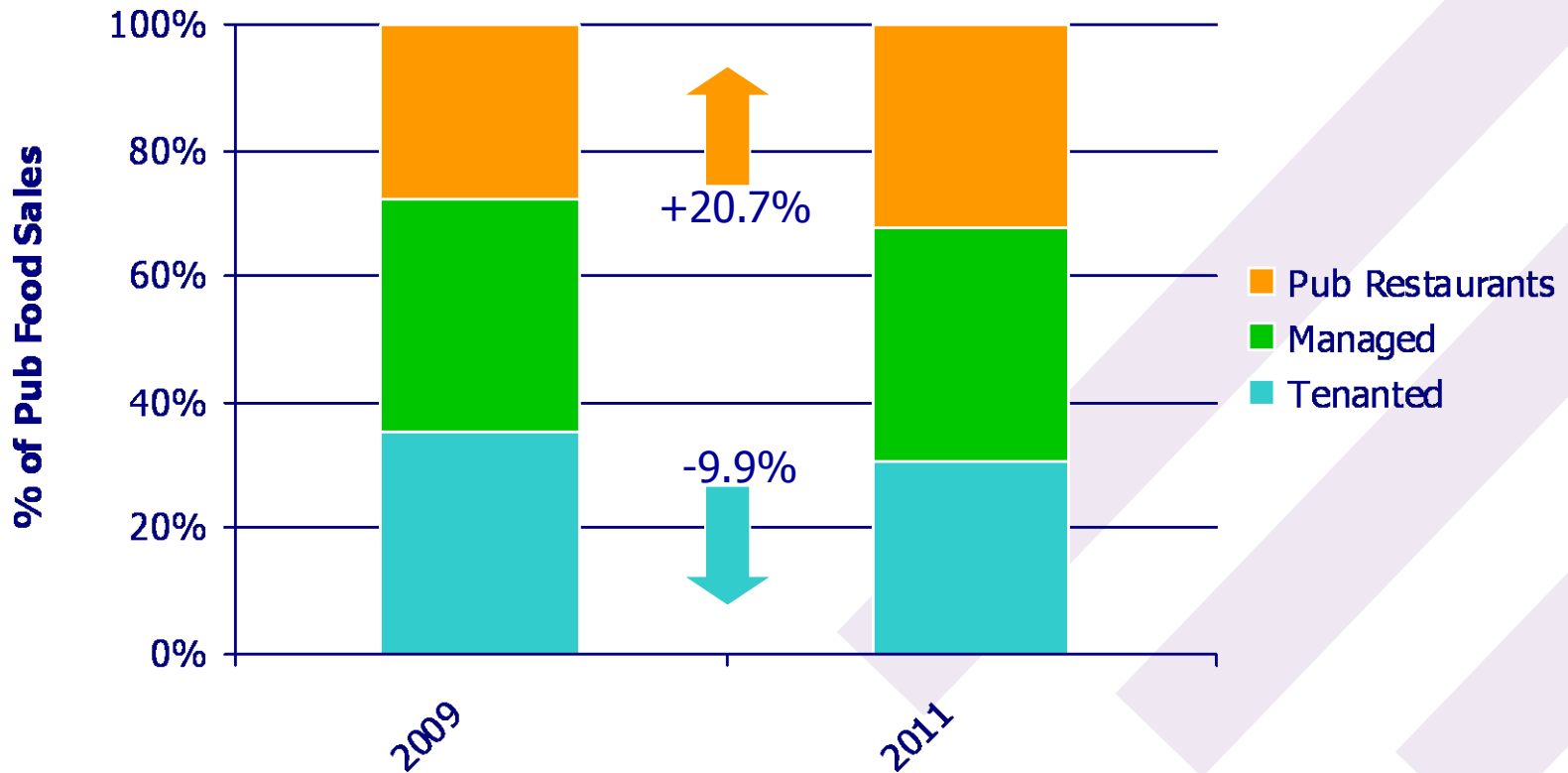
It's time to go down to the pub

- Boom and bust
 - At the same time!
- Two business models
- Wet sales down
 - Food is the answer
- Or is it?



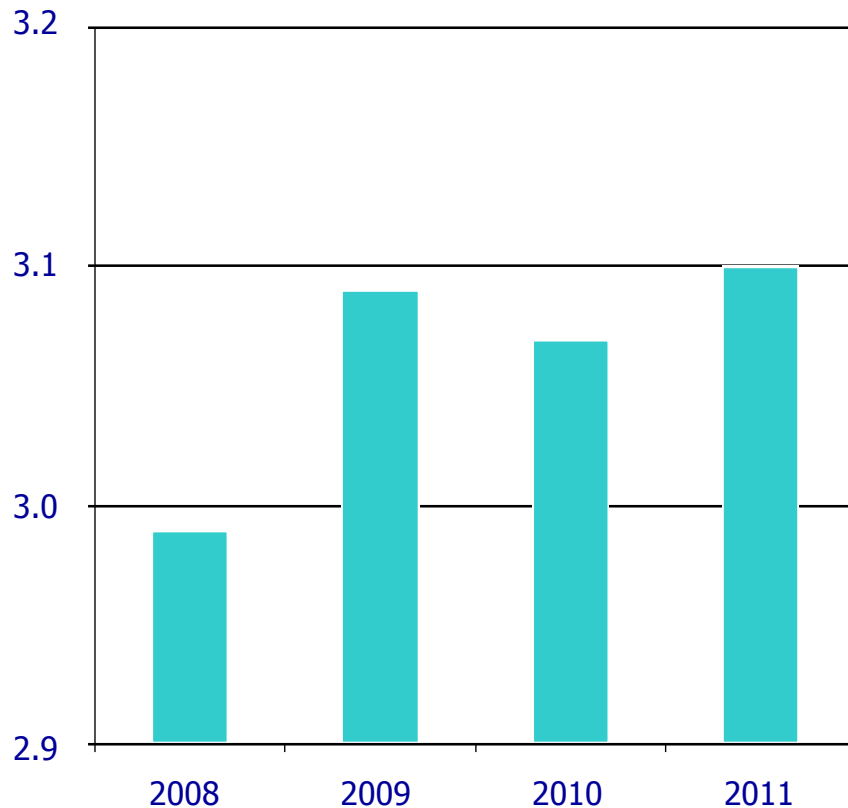
Source: Market Dynamics Toolbox

Dramatic change in 2 years



Source: Market Dynamics Toolbox

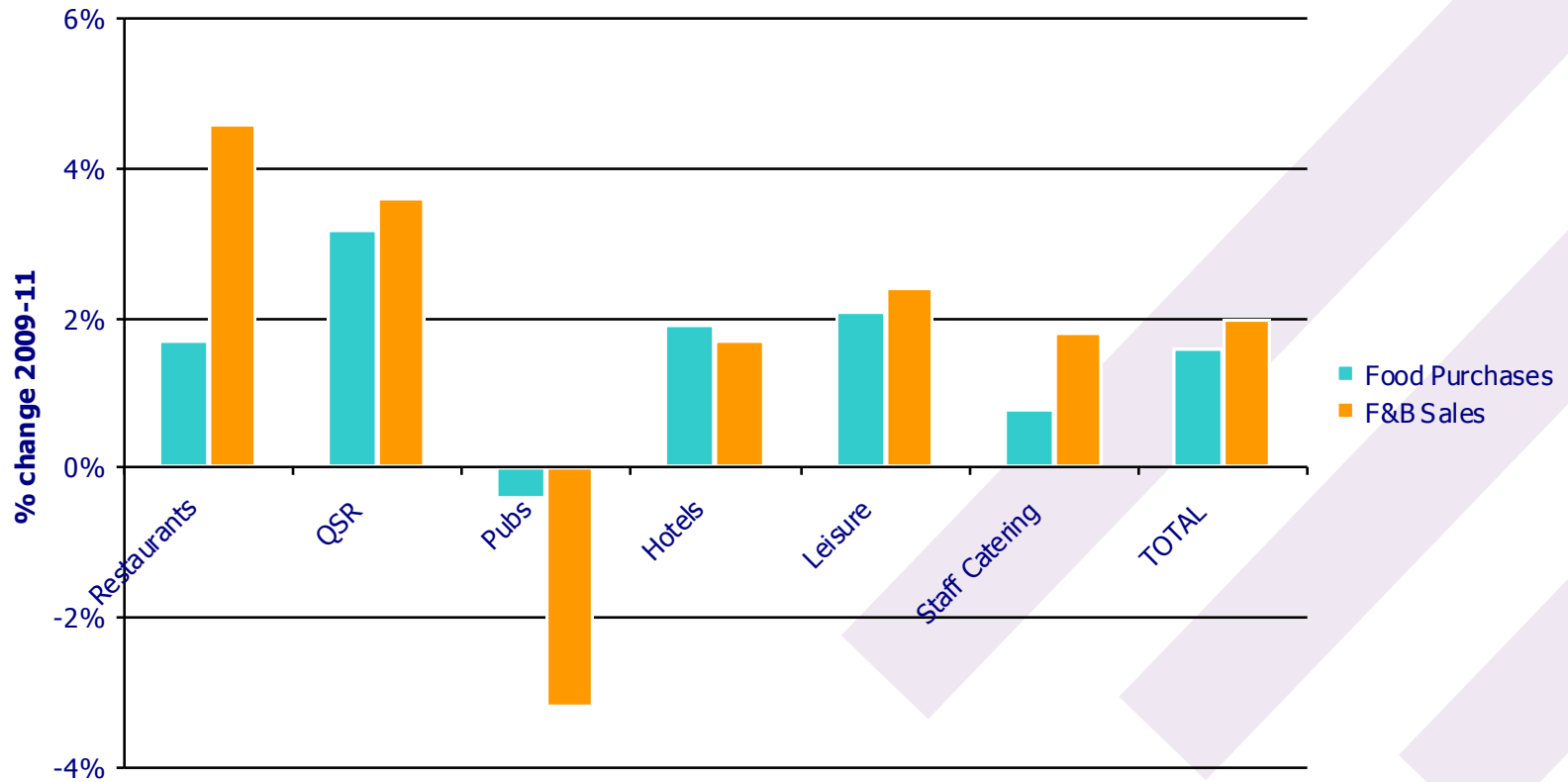
Mark up: 2008-2011



Source: Market Dynamics Toolbox

- Operator's margin
- Pressure to grow it
 - Re-build balance sheets
- But "price per meal" won't shift
 - Something has to give

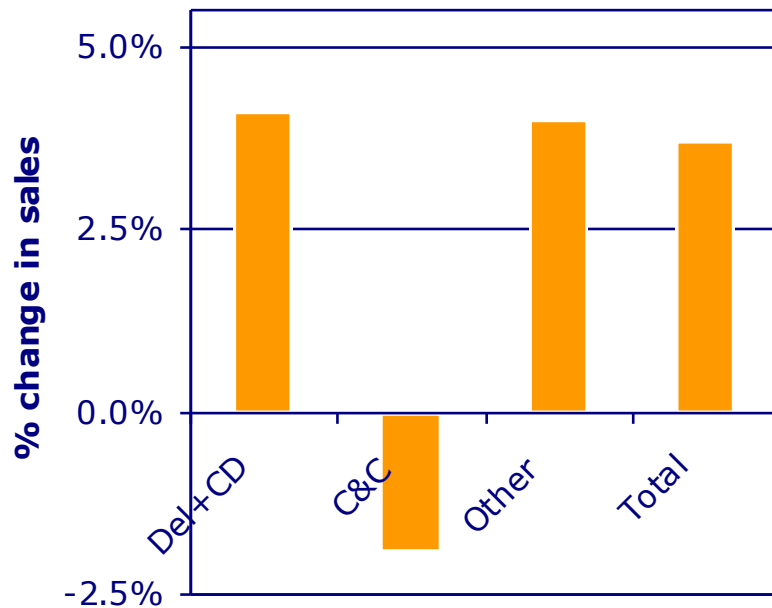
Food Purchases v F&B Sales: % change 2009-2011



Source: Market Dynamics Toolbox

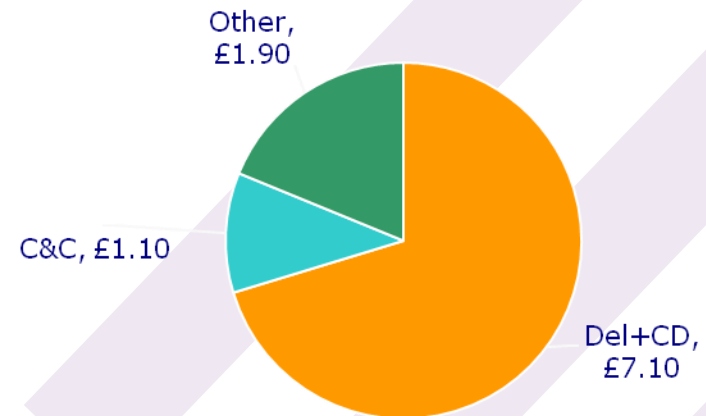
How the food is delivered

**Distribution channel:
Change 2009-2011**



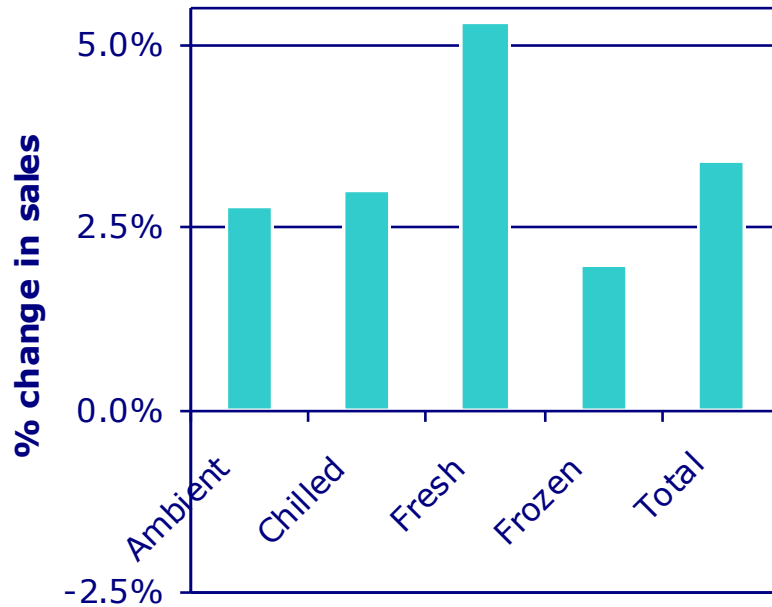
Source: Market Dynamics Toolbox

**Channel:
£ Billions 2009**



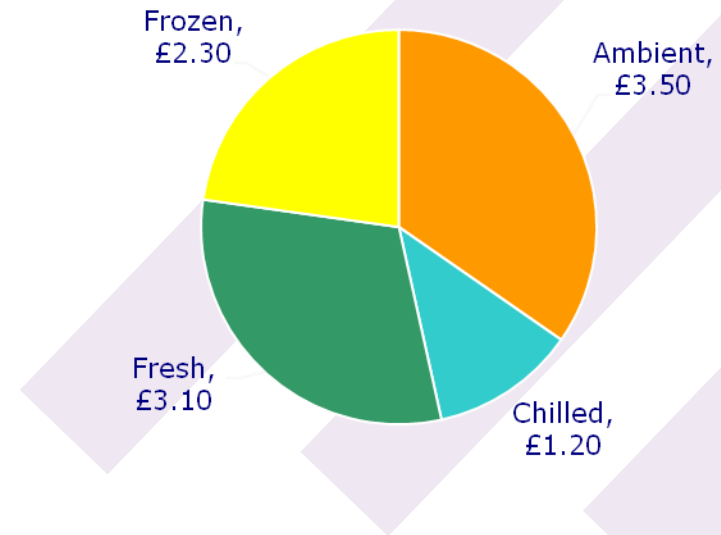
Fresh is on the up

**Temperature:
2009-2011**



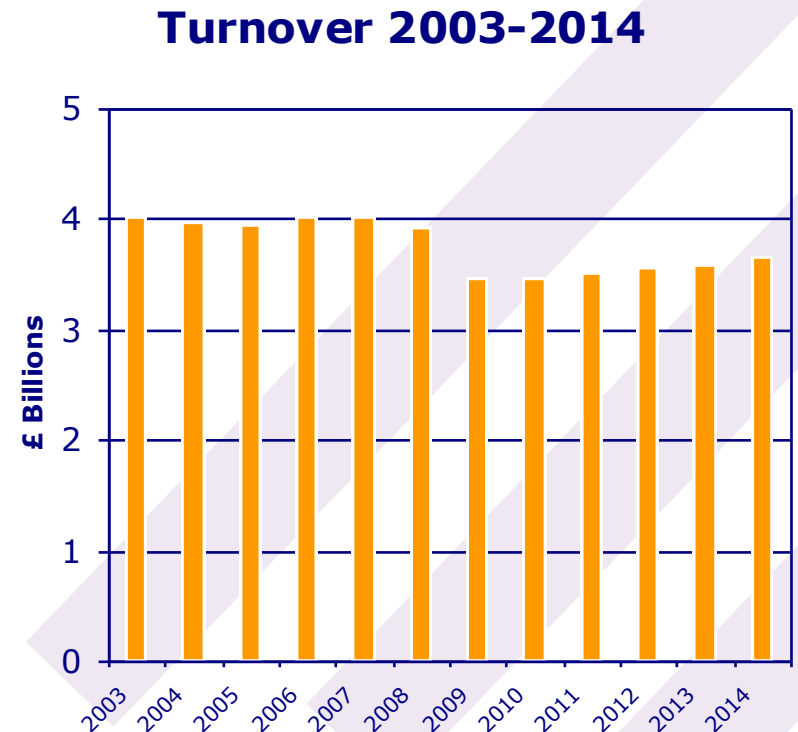
Source: Market Dynamics Toolbox

**Temperature:
£ Billions 2009**



It'll be tough at the coalface

- Battered in 2009
- Unemployment is ticking up:
 - March: +43,000
 - The first rise in 6 months
 - More to come?
- Govt is hugely indebted
 - Less on public services
 - Fewer public sector employees
- Contract catering will suffer
- Contract caterers will innovate
 - +2.8% 2010-2011
 - Added value offers
 - Facilities management
- ... or die



Source: Market Dynamics Toolbox

The Olympic effect

- In 2005, we said:
 - Olympics will add 1% to London eating out
 - Plus impact on rest of the country
 - Plus Olympic venues
- In 2010, we say
 - Venues: £80 m
 - London: £85 m
 - Rest of UK: £30 m
 - **Total: £195 m**
 - Offset: -£50 m
 - **Net: +£145 m**
- An additional 0.6%

Who have outperformed their sector in 2009?

1. Carluccio's

- Sales: +8.0%
- Sector: -1.1%
- Maximise revenue – cover costs throughout the day

2. JD Wetherspoon

- Sales: +1.2%
- Sector: -1.5%
- Maximise customer spend on profitable lines

3. Domino's

- Sales: +17.5%
- Sector: +2.1%
- Increase sales by being available everywhere, all the time

• The lessons?

- It's possible to grow in the midst of a recession
- Be available
- Offer what the customer wants

Source: Market Dynamics Toolbox, Key Brands and Accounts

Which operators will do well?

- Companies and sectors that offer real value
- Companies that can – and do – invest
- That means:
 - Group operators in restaurants
 - Managed pubs
 - Fast food

Which suppliers will do well?

- Those that can respond to the needs of successful operators
- Above all, those that:
 - Specialise/focus in foodservice
 - Help their customers:
 - Grow their top line
 - Grow their bottom line
 - Exceed customer expectations

Who won't do well?

- Sectors that depend on public funding
- Contract catering
- Tenanted pubs
- Independents

**Success will come
to those who have
everything in
the right place**

Menus and innovation: leading from the front

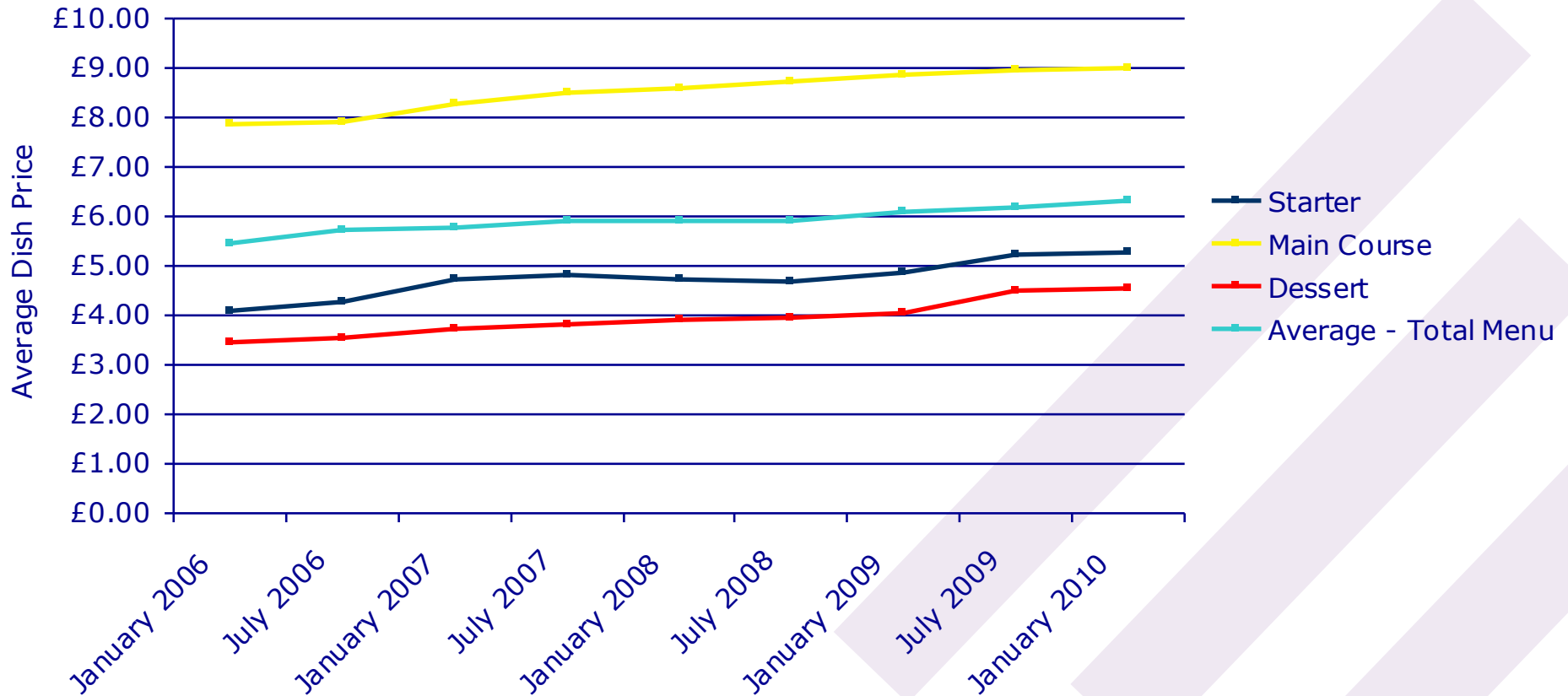
Paul Backman

**Service Development Manager
Horizons**

Menu trends

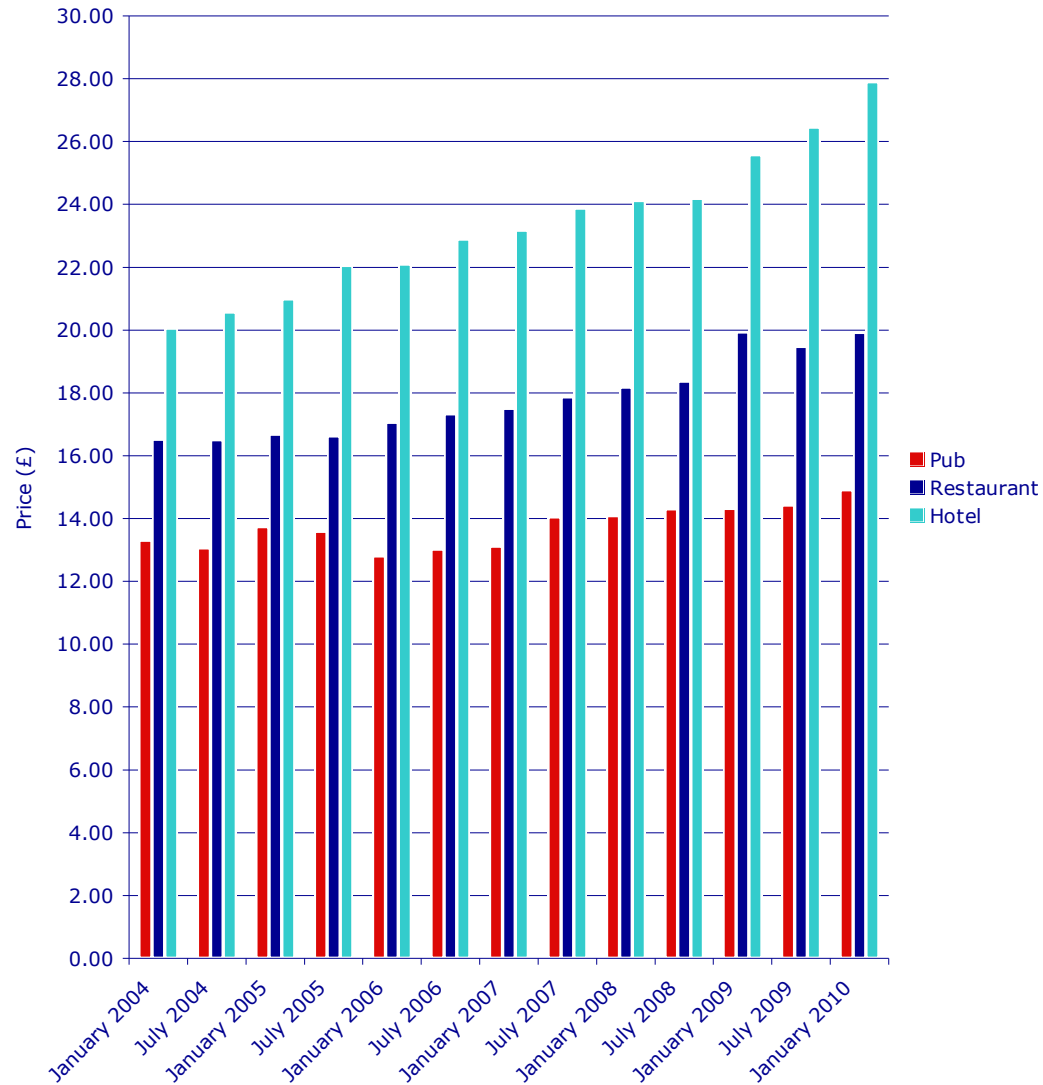
- Pricing trends:
 - over time
 - by course
- Role of promotional offers

Average dish price



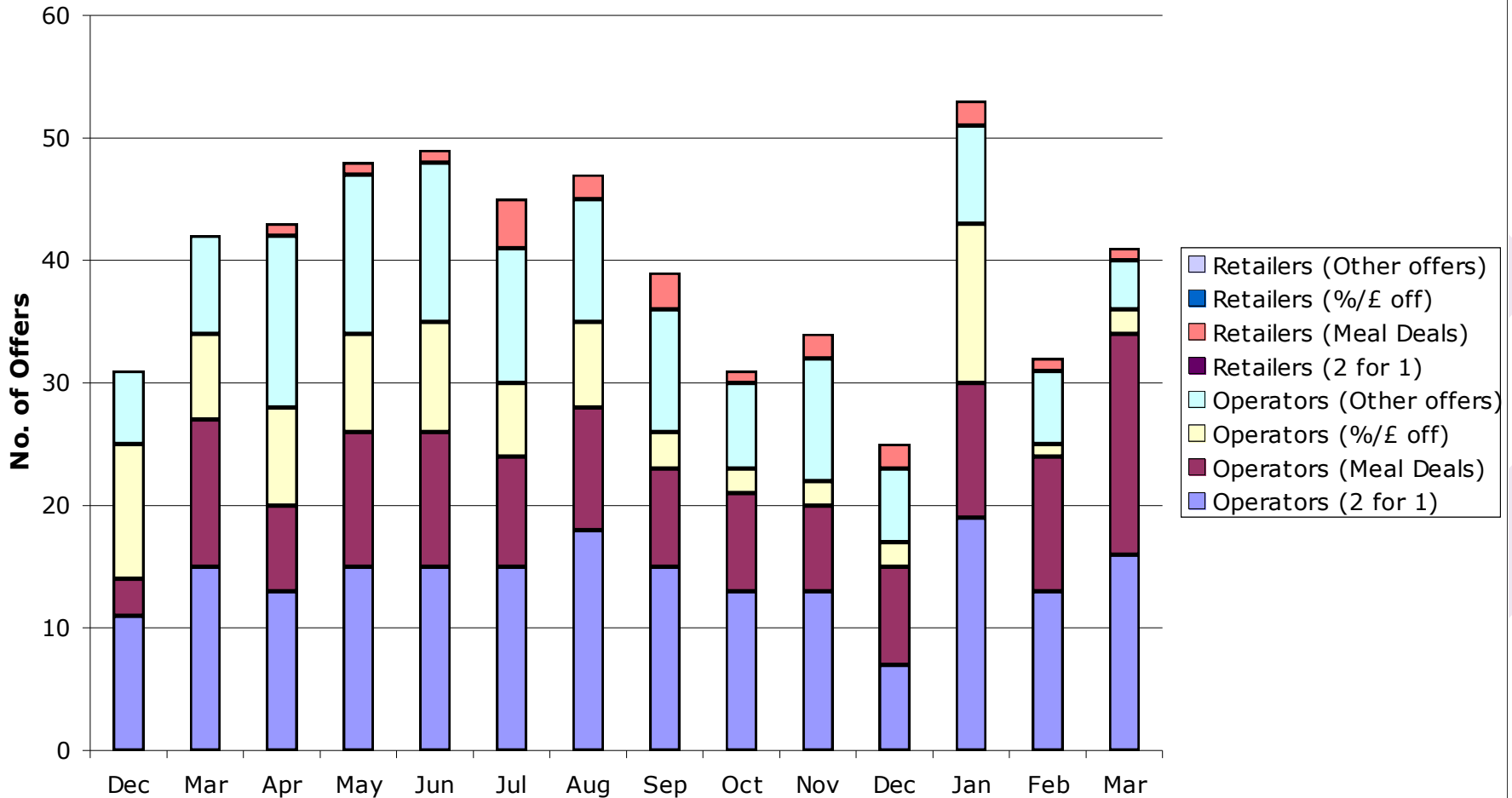
Meal pricing

3 Course Meal Price



Promotions

Operators & Retailers



Innovation distinguishes between a leader and a follower - Steve Jobs

- Impact of fixed and mobile internet
- Social networking
- Dish descriptions
- Appeal to your core demographic
- Reach out to new consumers
- Inspire truly innovative dishes

Impact of the internet: fixed and mobile

- Pre-dining research
 - at outlet, dish and nutritional level
 - 80% have online menus, 66% downloadable menus



Life is for Living

Typical values per serving.

Select your menu item for product information. All our chicken values are displayed plain, with no spice baste. Salads are shown with no chicken added.

Energy (Kcal)	676
Protein (g)	5.6
Total Fat (g)	46.2
Saturated Fat (g)	16.7
Total Carbohydrates (g)	60.5
Carbohydrates - Sugar (g)	42.2
Salt EQ (g)	1.71
Fibre (g)	2.4

Nando's

Social Networking

Hot Drinks

*** AMERICANO *** LATTE ***
*** CAPPUCCINO *** MOCHA *** TEA ***

For all those coffee and cake, coffee and coffee or cake and cake moments. Or tea and cake, tea and tea...

Hot Chocolate

THE CLASSIC
With fluffy cream and a chocolate chip topping.

Served hot, with a shot:
MALIBU
Covered with a chocolate dust topping.

COINTREAU
A widge of orange and chocolate dust topping.

BAILEYS
With chocolate chips and chocolate dust topping.

BAILEYS AND COINTREAU
A widge of orange, chocolate chips and chocolate dust topping.

Cookies, Cakes & Coffee

*** Try one of our home baked cookies ***

*** Look out for our special deal on any hot drink and either a home baked cookie or cake (it's on every day) ***

Yep, we might be at the end of the menu* but we're not finished yet. We're always keen to hear your views on how we're doing because what you think is really important.

That's why this pub has a page on [Facebook](#), so consider yourself poked and pop along to share your views. You can also check in the pub to see what exciting prizes are on offer for completing our on-line survey and you'll also find us at [screampubs.co.uk](#)

*Or the beginning. Kind of depends on which end you start.

Poke us on [facebook.com/screampubs](#)

why bit good livers go head
dof@screampubs.co.uk

CHECK OUT OUR LATEST PRICES ON YOUR LOCAL PUB PAGE OR JUST POP IN.

Don't forget – we serve food until 9pm every day.

Spicy Option Vegetarian Option Healthier Option

All products may contain nuts or nut derivatives. All weights are approximate. Fishes eaten in the sea. In order to do this they need bones. Please be careful as some of our fish may still contain bones. Skip reading from NIP

Scream pubs (Mitchells & Butlers)

Erm...help. Anyone know how to stop a blackberry writing in Arabic? Have taken battery out& in again but still doing it.argh!

[FOLLOW US](#)

START YOUR DAY WITH OUR LEGENDARY BREAKFAST!

BIG BIRD IS ALSO A LEGEND

[CLICK HERE TO VIEW OUR BREKKIE MENU](#)

TRY OUR SPECIALS

DUCK FAJITA-BURRITO

[CLICK HERE TO SEE THEM ALL!](#)

GRAB 2-4-1 ON MAIN MEALS

JOIN THE **HUG CLUB** TODAY!
[SIGN UP NOW!](#)

BUY GIFT VOUCHERS

[FIND YOUR NEAREST GIRAFFE](#)

NEWS & PRESS

APR 20th ADVENTURES OF GIDDY THE GIRAFFE
APR 19th QUIZ NIGHTS

[LATEST FROM FLICKR](#)

[BEFRIEND US ON facebook](#)

Giraffe

Social Networking

The screenshot shows the Facebook page for 'jdwc Curry Club'. The page features a cover photo of a curry dish with the text 'wetherspoon CURRY OFFICIAL'. The main content area displays a list of posts from members, including comments like 'Yeah bring on the curry mmmm' and 'Lucky bottles in liverpool ey lad.'. A sidebar on the left contains information about the club, including its founding year (1979) and a list of 985 people who like the page. A search bar is visible at the top of the page.

- Direct engagement with and feedback from consumers

Norma Cassin O Yeah bring on the curry mmmm
Tues at 18:24 · Report

Sarah Harper Is waiting for my curry mmmmm
08 April at 19:28 via Facebook for iPhone · Report

- Targeted channel for operators to spread promotional messages

jdwc Curry Club Oh yes it's Thursday, it's Curry Club! Whos going tonight? Why not take a picture of you and your curry and send them to 'photos@jdwetherspoon.co.uk'! Best photo will win some Wetherspoon vouchers and we will add all photos to our facebook album!
08 April at 14:58 · Hide feedback (22)

8 people like this.

View all 14 comments

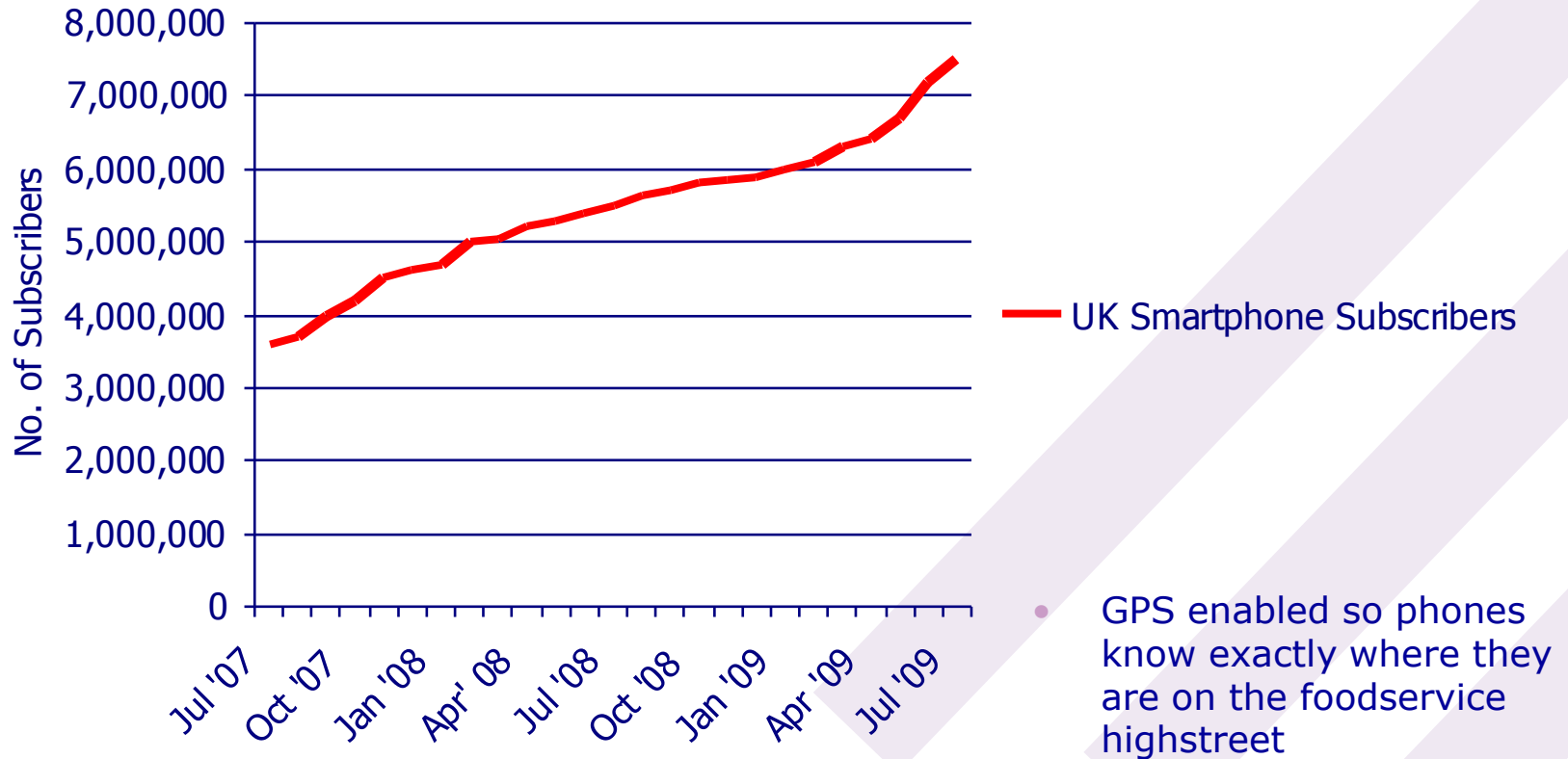
Brian Devlin Missed my curry yesterday :=(
09 April at 09:27 · Report

Sammie Moore Chicken korma and a vegetarian sweet potato and spinach for us! Plus 2 ale festival t-shirts, woop!
09 April at 12:05 · Report

- Resulting in increased brand loyalty

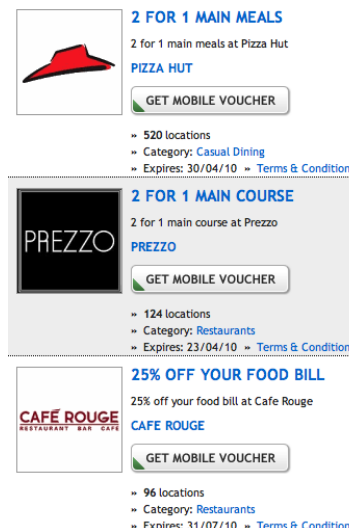
J D Wetherspoon's Curry Club

Smartphone location-based apps



Source: comScore

Smartphone location-based apps



- Potential customers on the move
- ...and therefore open to suggestions - their phones mapping functions will take them straight to you
- ...so your deals and vouchers can play a role in their decision making
- ...as long as the information is kept up to date

Dish descriptions

- Marketing to consumer tastes:

2008

- dolphin-friendly
- organic
- vegetarian

2009

- fairtrade
- farm assured
- local
- organic
- sustainable

2010

- fairtrade
- farm assured
- five-a-day
- local (grown or sourced)
- line-caught fish
- rustic
- slow cooked / roasted
- sustainable

- Fish & Chips (Old Orleans)

- 2008 - **Dixie** Fish and Chips: battered cod fillets served with fries, lemon and a side of creamy Trinity dressing
- 2009 - **Hand Battered** Fish and Chips: fillets of hand battered cod from **sustainable sources** served with peas, fries a side of our own creamy trinity dressing
- 2010 - **Hand Battered** Fish and Chips: fillets of battered **Pacific** cod from **sustainable sources**, served with peas, fries, lemon and a side of our own Trinity dip

- Impact of popular culture

- Dragons Den / Levi Roots' Reggae Reggae sauce

Source: Menurama

Appeal to your core market

- In times of uncertainty, customers look for continuity and reassurance
- Innovate but don't lose sight of your core customer base
 - Be proud of your history
 - J D Wetherspoon Five-Bean Chilli: "This is no has-been! Bean around for 10 years - still a favourite."
 - Reinforce your staple dishes:
 - Café Rouge: Moules Rouge
 - Frankie & Benny's: Sister Rosaria's Lamb Shank
 - T.G.I. Friday's: Jack Daniels Ribs
- ... all on Menurama since 2003

Reach out to new customers

- Maximise all opportunities
 - Older demographics
 - Hardy's House and Hungry Horse pubs' (Greene King) Golden Years Menu
 - Families
 - Chiquito "Free baby food available upon request"
 - Retail cross-promotions
 - Pizza Express "Orange Wednesdays: 2 for 1 on Main courses and free dough balls and garlic bread for each person"
 - Sports teams
 - Revolution bars' Eat For Free! Promotion "Sundays - Club Sportiva. Members of sports teams eat free. Just show us your dirty kit or team cards"

Inspire truly innovative dishes

- Dirty Dogs Dinner - served in a dog bowl - and vodka chilli cherry tomato pasta (Varsity)
- Quorn & Chianti Lasagne (Scream)
- Catfish Bites (Old Orleans)
- Brie & Papaya Quesadilla (Las Iguanas)
- Shropshire Blue And Quince Tart (Chef & Brewer)
- Belgian Banoffee Waffle (Brewers Fayre)

Driving growth by exceeding customer expectations

Emma Read
Business Development Manager

Growth by...

Understanding
& monitoring
competitors

Selecting
sizeable
opportunities

Identifying
and using
innovation

Understanding
sector
dynamics

Knowing what
drives
consumers

...going the extra mile

Knowing what drives consumers:

Using insight

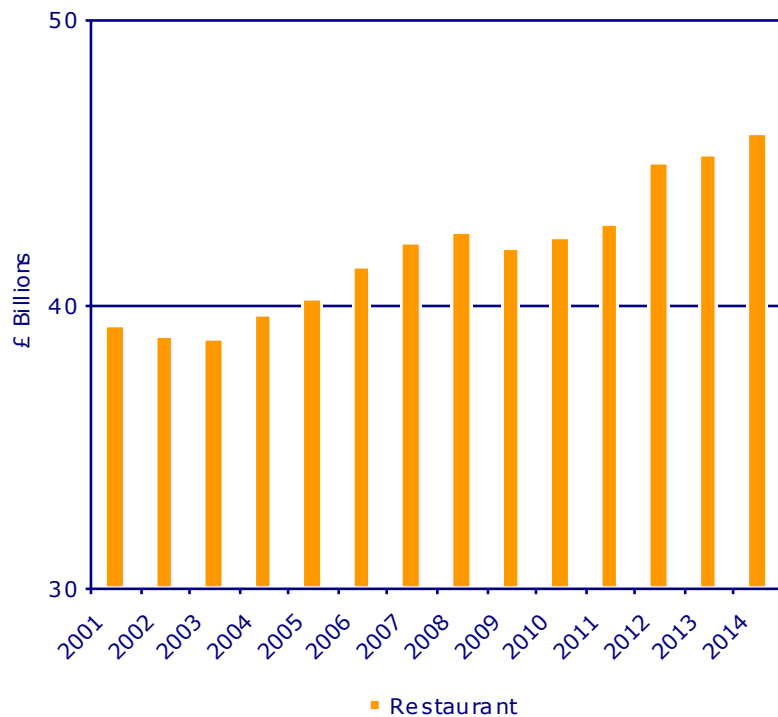
- 68% of consumers say they intend to eat out as often (next 12 months)
- BUT they are increasingly price conscious
 - 54% take price into account more than 6 months ago
 - 51% spending less on alcohol when eating out
 - 28% ordering wine by the glass rather than having a bottle
 - 39% ordering fewer starters and desserts
 - 29% now considering sharing more often (in particular in the north)
- Insight then used to adapt menus for the winter issues
- Against a background of megatrends

Customer: Operator
Source: QuickBite

Understanding sector dynamics: *the total picture*

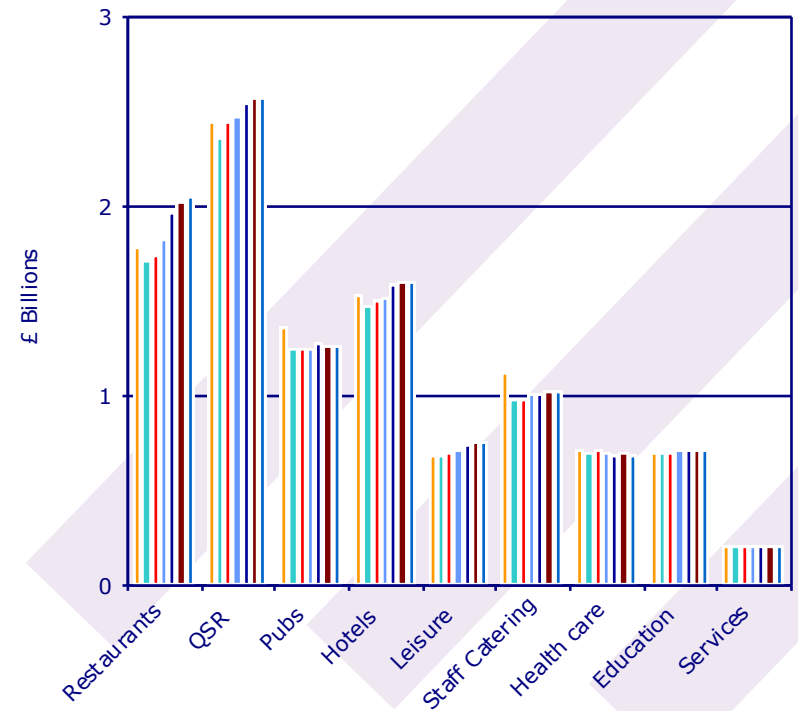
Total market trend

F&B Sales



Sector forecasts

Food Purchases 2008-2014



Customer: Wholesale/cash and carry
Sources: Key Market Dynamics

Identifying and using innovation:

Gap analysis

	Pizza Hut	Bella Italia	Frankie & Benny's	TGI Friday's	Pizza Express	Ask	Zizzi	Prezzo	Bertorelli
Lasagne (Beef)	Traditional Lasagne	Lasagne Al Forno	Lasagne Al Forno		Lasagna Classica	Lasagne	Lasagne Al Forno	Lasagne Tradizionale	Lasagne Al Forno
	Layers of tasty pasta with creamy Bechamel and rich beef Bolognese sauces. Topped with parsley and served with garlic bread, garnished with a seasonal side salad. So yummy, you may want a bigger fork	An authentic recipe from Italy, layers of egg lasagne with a fine minced beef and tomato ragu, bechamel sauce and topped with parmesan	Pasta sheets layered with cousin Mario's beef ragu, creamy bechamel sauce and mozzarella cheese, glazed in the oven and served piping hot. A real Frankie's favourite! Mouth-watering pasta dishes, freshly cooked to order; available with either spaghetti or penne. Why not order some freshly baked garlic pizza bread or a house salad on the side?		Baked pasta layered with bolognese sauce made with beef, bechamel sauce and tomato, finished with grana padano	Our four layer bolognese is made using egg pasta, our very own bolognese sauce and a delicate béchamel. Each layer is seasoned and has grana padano cheese. Baked to sizzling perfection in our traditional stone oven	Classic layers of pasta, ragu, bechamel and grana padano cheese, baked al forno	Layers of egg pasta, bolognese, béchamel sauce and grated parmesan. Speciality pastas all covered with our blend of cheese and baked in the pizza oven.	Layers of fresh egg pasta with a rich minced beef and pork ragu, creamy bechamel sauce and parmesan cheese. Highest quality pastas in unique styles are sourced from Italy's finest producers to create our distinctive pasta dishes.

Customer: Manufacturer
Source: Menurama

Identifying and using innovation:

Range analysis

Outlet	Starters	Main	Dessert	Total	Total all menu
A	11 (6%)	59 (31%)	13 (7%)	83 (43%)	190
B	7 (5%)	48 (37%)	6 (5%)	61 (47%)	130
C	7 (8%)	20 (22%)	10 (11%)	37 (40%)	93

- Looking at the overall “shape” of a menu
 - Total number of dishes
 - Breakdown by type

Customer: Manufacturer
Source: Menurama

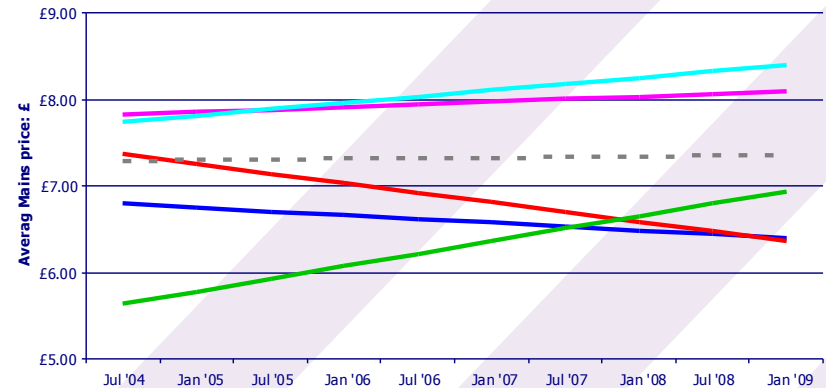
Identifying and using innovation:

Pricing analysis

Price architecture

Outlet	Entry price	Top price	Mean price	Mode price
A	5.82	16.59	9.62	8.79
B	7.99	17.99	11.83	11.99
C	8.25	15.95	11.05	10.25

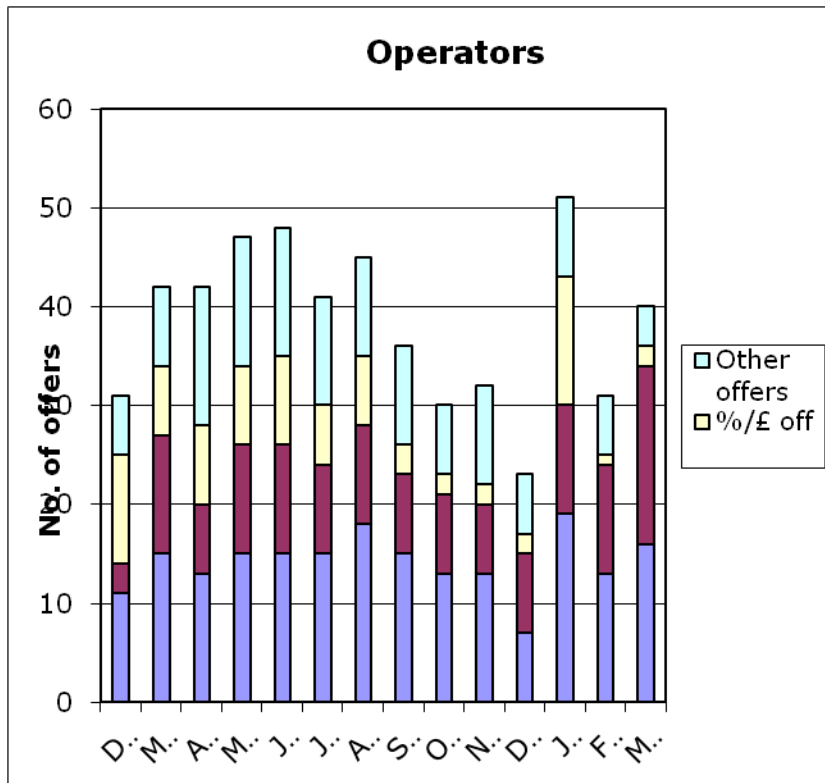
Long term strategic pricing



Customer: Manufacturer
Source: Menurama

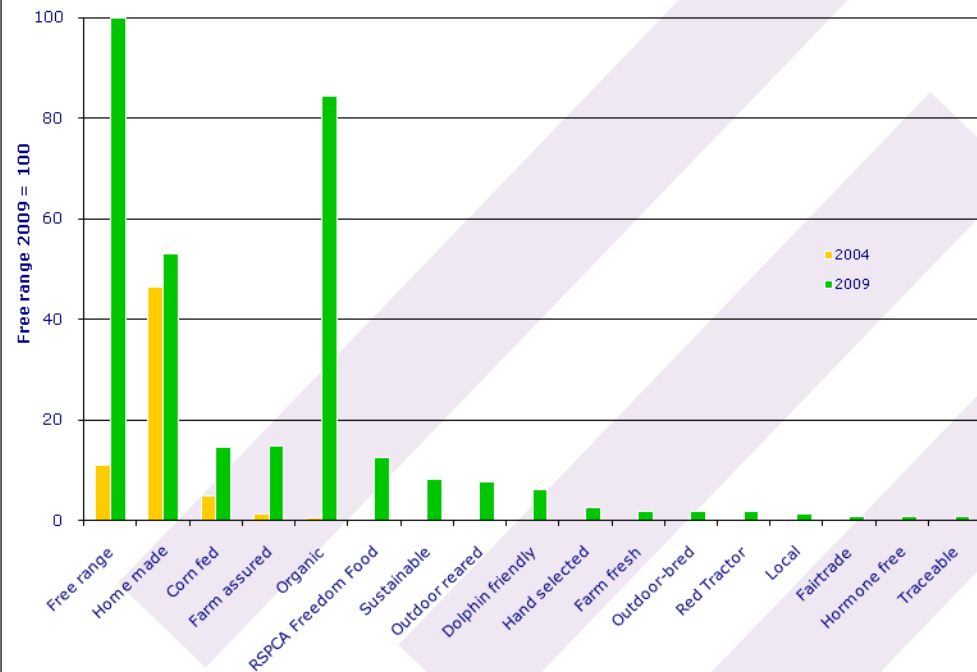
Identifying and using innovation: *Promos & consumers*

Promotional analysis



Customer: Manufacturer
Source: Menurama, desk research

Consumer driver analysis



Selecting sizeable opportunities: Commercialising the benefits

- Using Market Modeller to size markets:

“I used Market Modeller as part of our strategic planning process. What I was looking for was help that was helpful, informative and, above all, efficient. And that’s what I got!” Richard Majewski, Deputy MD, Headland Foods

2005	Actual	W	AO	BG	BH	BI	BJ	BK	BL	BM	BN	BO	BP	BQ	BR
Outlets	Meals	Food Purch	Based on meals			Jams			Topping			Pie Fillings			
2005	Actual	TOTAL	£ Millions	% of meals	Jams	Topping	sau	Pie Fillings	Jams	Topping	sau	Pie Fillings	No of meals Millions		
NOTE: Sample data only. Only enter data															
Restaurants	26,416	734.0	1,537.3	2.0%	5.0%	0.4%			36.7	269.1	19.4				
QSR	29,645	2,006.3	2,129.7	2.0%	1.0%	0.1%			40.1	6.5	6.5				
Pubs	51,046	1,103.5	1,242.8	2.0%	1.5%	0.2%			22.1	248.8	28.2				
Hotels	47,009	643.8	1,323.8	7.5%	0.5%	0.9%			48.3	24.2	31.2				
Leisure	19,121	532.0	595.0	8.0%	0.5%	0.0%			42.6	13.8	0.0				
Staff Catering	20,625	1,063.2	977.8	15.0%	0.0%	0.5%			159.5	0.0	30.1				
Health Care	31,384	1,046.5	646.6	7.0%	0.0%	0.1%			73.3	0.0	9.7				
Education	34,663	1,245.7	651.6	3.0%	0.0%	0.0%			37.4	0.0	0.0				
Services	3,073	244.1	171.8	1.0%	0.0%	0.0%			2.4	0.0	0.0				
TOTAL	262,982	8,620.0	9,276.5						462.4	562.5	125.2				
Restaurants				g per meal											
QSR				28.0	9.0	45.0			1,027.6	2,422.3	871.9				
Pubs				17.0	10.0	42.0			682.1	65.3	272.5				
Hotels				14.0	11.0	38.0			309.0	2,736.8	1,072.9				
Leisure				25.0	8.0	17.0			1,207.2	193.5	531.1				
Staff Catering				19.0	7.0	41.0			810.0	96.8	0.0				
Health Care				10.0	9.0	40.0			1,594.7	0.0	1,204.7				
Education				8.0	2.0	18.0			586.1	0.0	174.6				
Services				12.0	5.0	16.0			448.4	0.0	0.0				
TOTAL				8.0	5.0	12.0			6,684.7	5,514.7	4,127.7				
				£ per Tonne at:											
Restaurants				Distributors buying prices/Sell In prices											
QSR				£1,356	£1,100	£1,450			£1,393	£2,665	£1,264				
Pubs				£1,356	£1,100	£1,250			£925	£72	£341				
Hotels				£1,356	£1,100	£1,000			£419	£3,010	£1,073				
Leisure				£1,356	£1,000	£1,400			£1,637	£194	£744				
Staff Catering				£1,356	£1,000	£1,100			£1,098	£97	£0				
Health Care				£1,150	£900	£1,000			£1,834	£0	£1,205				
Education				£1,150	£800	£1,000			£674	£0	£175				
Services				£1,150	£800	£980			£516	£0	£0				
TOTAL				£3,100	£780	£900			£21	£0	£0				
									£8,518	£6,037	£4,801				

Customer: Manufacturer
Source: Market Modeller

Understanding and monitoring competitors: *keeping ahead of the market*

- Reviewing and responding to a constantly evolving market
- Adapting and developing data accordingly

Customer: Retail and Food To Go operators
Source: Insight and Data

**Use insight to drive growth
by going the extra mile**

**...exceed customers
expectations**

The route to success

How we've got here

- Key Market Dynamics
- Key Brands and Accounts
- Market Dynamics Toolbox
- Market Modeller
- Menurama
- Quarterly Briefing Report
- QuickBite

... plus Insight and Understanding

What we've been saying

- Recovery to 2008 levels will take 3 years
- The market fell in 2009
 - -£583 million
- It will grow now - slowly
 - £395 million this year; £452 million next

The conclusion

- To succeed, you'll have to be better than your customers expect

6 ways to exceed expectations

1. Innovate:
 - Products/Technologies/packaging
 - Services
 - Ways of selling
2. Understand where the value lies in your business – and focus on it:
 - Products
 - People
 - Market understanding
3. Examine your business model
 - Ensure you know why you are in this business
 - Align with core foodservice values
4. Increase margins
 - Sell more, create more buying power
 - Help your customers sell more, become a more valued supplier
5. Log on to new communications
 - Location based apps
 - Facebook, Twitter
6. Build loyalty
 - Reduce selling costs
 - Create more business virally
 - Deliver on your promises
 - Exceed expectations

www.horizonsforsuccess.com/annualbriefing

info@horizonsforsuccess.com
+44 (0)20 8349 0162