TASTE OF THE FUTURE

A LOOK TO THE FUTURE OF FOODSERVICE 2012-2015
The last three years have been a rollercoaster ride for the foodservice industry.

The sector has been squeezed on a number of fronts: persistently tough trading conditions; the VAT increase; a culture of discounting; a growing appetite for casual dining and an intensifying government focus on healthy eating in the face of rising obesity levels.

If the last three years have been turbulent, the next three promise to be equally testing. But as Benjamin Disraeli said: “The secret of success in life is for a man to be ready for his opportunity when it comes.”

For the foodservice sector, being ready will mean not just meeting current challenges, but preparing for future trends and prioritising the areas that will deliver growth.

FCSI UK & Ireland has spoken to our members, some of the most respected consultants in the industry, to find out just what these hurdles and growth opportunities will be between now and 2015. Their views shed a fascinating light on the future of the foodservice sector and the challenges it will present.

Welcome to Taste of the Future
David Bentley, Chairman, FCSI UK & Ireland
INTRODUCTION: ABOUT THE STUDY

To investigate the key trends likely to have the greatest impact on the foodservice sector over the next three years, the Foodservice Consultants Society International UK & Ireland (FCSI) interviewed leading industry consultants from among its membership.

We surveyed 64 consultants on key sector trends, then conducted in-depth online interviews with many to investigate these trends in more detail. The research was carried out for FCSI by Allegra Strategies.

Our report finds sustainability, economic challenges and healthier eating top of the industry agenda. Although sustainability is likely to have the biggest impact on foodservice over the next three years, our research reveals that the sector is still failing to take the issue seriously, perhaps reluctant to take on the sheer complexity of delivering a sustainable offer and the cost this entails.

Rising costs and austerity measures are highlighted as the second biggest trend. Our consultants sound a warning to the sector against relying on cost-cutting during these difficult economic times. Investment in a quality offer and training personnel to deliver quality service will be vital for foodservice firms to remain competitive in this environment.

Our study also reveals that healthy eating has reached a tipping point, and that foodservice must step up to fully support consumers to achieve the healthier diets they are striving for.

Taste of the Future sets out the findings from our investigation of these key trends, their implications for the foodservice sector, and the growth opportunities for the industry over the next three years.
In a world challenged by resource depletion, population growth and climate change, sustainability is moving to the top of the agenda for businesses in all industries. The foodservice sector must also take its fair share of responsibility for the health of the planet and its population. Food production, transportation and consumption impact the environment on a number of fronts, including habitat and biodiversity loss, intense use of land and natural resources, such as water, and carbon emissions that result from food production and transportation.

**A growing priority**

FCSI consultants forecast that sustainability will have the greatest impact on the sector in the near future. More than half (55%) highlight this as a key trend for foodservice over the next three years.

Indeed, over the past three years, sustainability has moved up the industry agenda with whole magazines dedicated to the subject and high profile campaigns from businesses across the industry. The hospitality industry as a whole is embracing both the social and environmental benefits, as well as the cost savings, of sustainable practices. Emphasis on sustainability is only set to increase, especially as the UK will next year be the first country worldwide to require listed companies to include emissions data in annual reports.

As well as legislation, the drive for sustainability is being propelled by consumer demand, according to consultants. Consumers are looking for the ‘feel good’ factor that comes from buying sustainable products, according to 77% of consultants, and are driven by the belief that it’s the right thing to do (64%).

**Behind the curve**

Yet our research suggests that the foodservice industry may be guilty of paying lip service rather than truly grasping the sustainability nettle.

Less than half of consultants (43%) believe that caterers are taking sustainability seriously.

From our in-depth questioning of our consultants, cost appears to be the primary barrier. The huge investment and enormous complexity involved in creating a truly sustainable offer may be encouraging many firms to rely on CSR initiatives to tick the box.

The complexity is reflected in the results of our research. When we questioned our consultants on issues within sustainability that are of greatest importance to foodservice and hospitality, energy reduction, waste management, recycling, local sourcing and the future security of food came out top.
Section 1: Sustainability

Certification and accreditation
The importance of certification and accreditation schemes within foodservice

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<th>Scheme</th>
<th>Percentage of consultants rating scheme as important or very important</th>
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<td>Fairtrade</td>
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<td>Red Tractor</td>
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<td>Rainforest Alliance</td>
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Local sourcing
More than half (54%) of consultants point to local sourcing as an important future foodservice trend, with 86% predicting a serious impact on procurement over the next three to five years.

Quite how this impact will be felt remains unclear, and the experience between different sectors within foodservice is likely to vary drastically. Independents and contract caterers are already excelling at local sourcing, and reaping the rewards in the form of greater customer loyalty and increased sales. By contrast, branded restaurants and pub groups will need to up their game under mounting consumer pressure. These sectors generally struggle with local procurement, and our consultants suggest that the majority of businesses within this area are only managing to put one or two locally sourced items on their menus.

There is recognition that the supply chain must undergo major change for local sourcing to work, and that wholesalers and suppliers are feeling the squeeze. The biggest challenge is to make local sourcing economically viable, and it will be down to the wholesalers to find a profitable solution, according to our consultants.

Food security
In 2010, DEFRA defined food security as ‘consumers having access at all times to sufficient, safe and nutritious food for an active and healthy life at affordable prices’1. Achieving this is becoming a major concern for governments around the world, including the UK. Global food resources are coming under increasing pressure as the world’s population increases by 80 million people annually2.

Back in 2006, DEFRA warned of two major threats to our national food security: declining self-sufficiency and the potential for increased disruption to domestic food supplies due to factors such as climate change, energy shortages, geopolitical tensions and terrorism3. This year’s devastating drought in the USA and Russia is a case in point. The drought, the worst in almost half a century, has decimated crops, causing a significantly smaller grain harvest and prices to soar to record levels in markets across the world.

Against this backdrop, 53% of consultants identify the future security of food as a key trend over the next three years. However, only a fifth (22%) claim
that their clients are taking food security seriously as part of a wider CSR policy – indeed, nearly, half (49%) believe that they failing to do so.

Water usage is seen as the food security issue likely to have the greatest impact on foodservice, cited by 84% of consultants, who warn that food production must become more efficient and loss of food from field to fork must be reduced.

The foodservice sector needs to consider ways to reduce the water footprint of menus, by creating dishes that require less intensive farming processes and less water to produce.

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The hidden water footprint: water usage in the production of everyday food and drink

- 1 potato (100g) 25l
- 1 glass beer (250ml) 75l
- 1 cup coffee (125ml) 140l
- 1 glass milk (200ml) 200l
- 1 hamburger (150g) 2,400l
- 1 kg wheat 3,000l
- 1 kg meat 15,000l

Although we are facing global food shortages, over a third of the world’s harvest is used for feeding livestock. To help alleviate this, consultants suggest that the foodservice sector makes greater use of fresh, local produce and foods from lower down the chain such as grains, fruit, nuts and vegetables, rather than overly rely on processed food and meat, animal and dairy products. The strong majority of consultants (89%) agree government involvement will be important to help guide foodservice companies on sustainability issues. Yet at the same time, they warn that this process needs to involve the input and expertise of specialist advisors and membership bodies from within the industry.

There is also a strong belief among consultants that consumers must be educated on the threats of an insecure food chain. Despite the critical threat to the sustainability of our food supply chain, only 14% of consultants believe that consumers are more than vaguely aware of food security issues. To bring this into public consciousness they suggest that food safety, provenance and sustainability all be included in the school curriculum.

Energy reduction

Almost nine out of ten consultants (89%) identify energy reduction as important or very important to foodservice and hospitality, making it the key issue within sustainability for the sector.

Our online interviews indicate that consultants believe that a serious assessment of current energy management systems and monitoring methods in the sector are required. However, they add that this must go hand in hand with long-term education initiatives to illustrate the benefits of reducing energy consumption within foodservice. These initiatives need to deliver detailed knowledge on the energy and cost savings that can be made from emerging heating and refrigeration technologies. One such technology on the market includes real-time energy monitoring that measures the energy cost of each item on a menu.
Waste management

The UK food and drink industry generated an estimated 7.6 million tonnes of food waste in 2011. Analysis by WRAP UK, the not-for-profit organisation which campaigns for a world without waste, suggests that the foodservice sector itself produced 3.4 million tonnes of food waste each year, of which 1.5 million tonnes is sent to landfill. The organisation puts the cost of avoidable food waste to pubs, restaurants, take-aways and hotels at more than £720 million per annum.

Considering that a third of the world’s greenhouse gas emissions are caused by food sources it is perhaps of little surprise that waste management is cited by over three quarters (77%) of consultants as a key future trend.

Over half the food produced in the world today is lost, wasted or discarded as a result of inefficiencies in the restaurant and retail supply chain. To put the level of inefficiencies in foodservice into context, The Sustainable Restaurant Association found that 65% of food waste occurs at preparation stage, compared to just 30% that is left on consumers’ plates.

Our consultants suggest that the sector needs to be better at developing waste plans and create more efficient waste disposal systems. It also needs to improve menu planning in order to avoid much of the total food waste in the first place. Each tonne of food waste that could have been eaten creates an astonishing 3.8 tonnes of CO₂ equivalent emissions in the manufacturing, distribution and disposal process.

Recycling

Recycling is a hot topic once again. Some 73 leading UK hotels; pubs; restaurants; quick service restaurants (QSRs); contract caterers; industry bodies and government departments signed up to WRAP’s Hospitality and Food Service Agreement last year, including FCSI.

The agreement aims to cut food and associated packaging waste by 5% by 2015 – a reduction of 234,000 tonnes of CO₂ emissions (e), equivalent to that generated by approximately 100 million meals.

The agreement is clearly focusing the minds of the industry. Some 77% of consultants identify recycling as a critical sustainability element for the future. Almost as many (72%) state that they are being asked to consider recycling solutions for clients.

Although our consultants say that cost is a barrier to taking on the sustainability challenge as a whole, it is a driver where recycling is concerned. Recycling schemes, such as the conversion of grey water and implementation of anaerobic digestion systems, reduce waste disposal charges.

Indeed, WRAP estimates that if just 25% of the foodservice sector signed up to the waste agreement it would save up to £76 million by the end of 2015, reducing CO₂ (e) impact by 570,000 tonnes.
With media headlines dominated by economic stagnation and crisis in the Eurozone, rising costs and austerity measures loom largest over the foodservice sector after sustainability issues, identified as a key future trend by over half (52%) of consultants in our study. These are also seen as the biggest risks to the foodservice industry, cited by 33%.

The continuing squeeze on household budgets, increasingly cost-aware consumers and the rising cost of living are creating a market driven by value - and this does not look set to change in the foreseeable future. When asked to name the most critical factors in delivering superior customer experience, almost half (44%) of consultants cite value for money.

Yet at the same time, there is a warning to foodservice firms against implementing their own austerity cuts, as investment in key areas of customer service is required to retain a competitive edge.

Food quality is cited as the most important factor for delivering superior customer experience (55%), while 37% stress the importance of personal and engaging employees. A third (33%) describe both good employee training and restaurant design as critical, while almost as many (28%) point to fast and efficient service.
With the Department of Health estimating that more than 50% of adults in the UK could be obese by 2050\textsuperscript{10}, the hospitality industry has a significant role to play in the future health of the nation. The average UK consumer eats one in six meals away from home\textsuperscript{11} equating to almost four per week.

Yet curiously, less than half (45%) of consultants highlight healthier eating as a key trend.

But when quizzed further, consultants point to a potential tipping point within the industry where healthy eating is concerned. Over three quarters (76%) agree that UK consumers are already introducing more meat-free options into their diets. Nearly half (49%) expect this trend to grow further. Two thirds (65%) are witnessing an increase in white meat consumption over red meat, while a over a third (31%) are seeing growth in consumers adopting vegetarian diets.

Clearly, the foodservice sector needs to support consumers as they look to adopt a healthier diet. The industry needs to be more imaginative when it comes to choice, range and portion size, and remove unnecessary extras from the plate to help reduce overconsumption.
SECTION 4: FUTURE GROWTH

As the third biggest employer in the UK, responsible for 4.9% of the country’s economic output, hospitality, foodservice, leisure and travel will play an important part in our economic recovery.

Our research highlights several opportunities to drive growth within the sector, including investment in service skills and talent management, social media, increased tourism and building customer loyalty.

People

Over half of consultants (56%) believe that investment in people and talent management within foodservice provide an opportunity for growth. But the outlook for people coming into the industry has never looked so bleak. The government no longer finances training for people over the age of 24, and for the first time, people over the age of 19 will have to take out a loan to progress to a Level 3 qualification.

There is no doubt that investment in service skills and improved talent management is necessary to deliver the high levels of service that consumers expect when they eat out. Thanks to television programmes like The Art of Service, the sector is finally making progress in the training and up-skilling of employees and enhancing its image as a ‘career option’ for high quality candidates.

The government expects businesses to meet the training needs of their own industries. This will be a particular challenge for the foodservice sector, composed largely of SMEs, meaning that there are very few companies of the necessary scale to take on this responsibility.

With catering colleges unable to recruit new students due to the lack of funding, the industry’s future may be at risk. The fragmented hospitality industry needs to pool resources and dedicate investment to lobbying the government with a united voice. Employing 10% of the working population, hospitality is the fifth biggest industry in the UK, and has a major part to play in the recovery of the economy. Its voice must be heard to secure the future health of the industry.

Social media

Whether selling off last-minute tables, ramping up loyalty with discount codes, or benefiting from great customer reviews or suffering bad ones, the foodservice sector is feeling the multiple effects of social media.

Indeed, nearly half of consultants (46%) believe that social media is playing, and will continue to play, a vital role in the growth of the industry.
Facebook, FourSquare, Livebookings and Twitter are no longer the domain of the early adopter. The increasing take-up of tablets and smartphones will continue to enable the customer to be the critic, creating competition and forcing operators to create a point of difference in order to attract customers.

**Increasing tourism**

Capitalising on burgeoning tourism will be vital to the future success of the industry according to nearly half (43%) of consultants.

With a record 12.3 million holiday visits occurring during the year to May 2012, there is a clear market opportunity for catering operators. And the resounding success of the Olympics has given the world a taste of what Britain has to offer. Britain’s cities, particularly London, have steadily been making a name for themselves as foodie destinations with a raft of high profile new openings. They can continue to build this reputation through the use of British produce and by capitalising on the talent of chefs in this country.

**Building customer loyalty**

Repeat custom and building loyalty was cited as a success factor by 39% of consultants.

Care should be taken by operators of falling in to the trap of ongoing discounting – a tactic which can cheapen the brand and devalue the offer. PizzaExpress is a prime example of a brand that has been effected by discounting – one in six customers claiming they never dine without a deal

Offers should be value and loyalty led to entice return visits and build up a relationship with the customer. Loyalty cards, offers which offer a set price or complementary dishes all work well to encourage the customer to return without giving product away, or cutting prices. Customers also place value on the experience, which is vital to get right when building loyalty.

**Winners and losers**

Despite the current economic climate and trading conditions three fifths of our consultants identify branded restaurant chains such as Wagamama, Nando’s and Gourmet Burger Kitchen as big winners over the next three years.

Large coffee chains such as Starbucks, Costa Coffee, Caffè Nero, and independent coffee shops and cafés are also likely to prosper over this period, cited by over half (55%) of consultants.

However, college and school refectories and workplace restaurants do not receive consultants’ vote of confidence. Nearly half (43%) single out these two sectors as the most likely to struggle in the run-up to 2015. Hotels (38%), fine dining restaurants (34%) and local independent restaurants (34%), including Indian, Chinese and Italian outlets, are also likely to find the going tough.
CONCLUSION

Over the next three years, the foodservice sector will come under government and consumer pressure to improve the sustainability of its offer, and shoulder its share of responsibility for the health of the environment and global population.

To deliver a truly sustainable offer, the sector needs to devote more than lip-service to the challenge. There is no doubting the complexities, but the sector should begin by taking a serious look at existing energy management systems and monitoring methods, developing more efficient waste plans and waste disposal systems, continuing to make use of the latest recycling technology and working with suppliers to put more local food on the menu.

Cost is a significant barrier to creating a sustainable foodservice offer. But with imagination and determination, the drive to achieve this goal could actually cut costs in the long term.

Effective cost cutting will be at the forefront of most business’s agenda in an environment of rising costs and austerity, but our consultants warn the foodservice sector against radical cuts. Firms should ensure that cuts do not reduce the quality of product or service, and with it their competitive edge.

To capitalise on existing opportunities for growth, the sector should instead be considering investing in its people, make the most of increasing tourism and looking at ways to deliver increased customer loyalty.
King Design Consultancy  
www.kingdesignconsultancy.com  
0207 277 6695  
Geoff King, Director  
geoff.king@kingdesignconsultancy.com

Merritt-Harrison Catering Consultancy  
www.merritt-harrison.com  
01483 533962  
Matthew Merritt-Harrison, Managing Partner  
admin@merritt-harrison.com  
Sandra Reid, Consultant  
sandra@merritt-harrison.com

MESV Consultancy International  
020 8979 6556  
Marc Verstringhe, Principal  
marc@mesvconsultancy.com

Neller Davies  
www.nellerdavies.com  
01462 711941  
Julian Fris, Managing Director  
julian.fris@nellerdavies.com

Panache Consultancy Limited  
www.panacheconsultancy.co.uk  
01275 390546  
Niccola Boyd-Stevenson, Managing Director  
services@panacheconsultancy.co.uk  
Jon Rook, Company Director  
jon.rook@panacheconsultancy.co.uk

Robert Read Associates  
www.robertreadassociates.com  
01954 230623  
Robert Read, Proprietor  
rra@ntlworld.com

Rosemary Osbourne Consultancy  
01234 717173  
Rosemary A Osbourne, MBE, Principal  
rosemary.osbourne@virgin.net

SeftonHornWinch  
www.shw-ckrc.com  
01322 420050  
Gareth Sefton, Director  
gareth.s@shw-ckrc.com

Ken Winch, Director  
kenw@shw-ckrc.com  
Derek Horn, Director  
derekh@shw-ckrc.com

Sterling Foodservice Design  
www.sterlingfoodservice.com  
0121 445 0900  
Andrew Powis FIH, Managing Partner  
adrew@sterlingfoodservice.com

Stern Consultancy  
www.sternconsultants.co.uk  
01403 273555  
Chris Stern, Managing Director  
info@sternconsultants.co.uk

Support Training & Services plc  
www.sts-solutions.com  
01252 726300  
Neil Rush, Managing Director  
nrush@sts-solutions.co.uk

The Food and Beverage Training Company  
www.food-and-beverage-training.co.uk  
020 8205 0507  
John Cousins FIH, FCSI, MCIPD, Director  
admin@food-and-beverage-training.co.uk

The Peter Burholt Partnership  
www.peterburholt.com  
01273 835560  
Kevin Barnes  
kbarnes@perterburholt.com  
Graham Moore  
gmoore@peterburholt.com

The Russell Partnership  
www.russellpartnership.com  
020 7665 1888  
Professor David Russell, Chairman  
david.russell@russellpartnership.com  
David Bentley, Director  
david.bentley@russellpartnership.com

Tim Dunn Design  
01276 506451  
Tim Dunn  
timdunn.design@ntlworld.com

Tricon Foodservice Consultants plc  
www.tricon.co.uk  
020 8591 5593  
Tony Horton, Chief Executive  
tonyh@tricon.co.uk

Turpin Smale Foodservice Consultancy  
www.turpinsmale.co.uk  
020 7620 0011  
Chris Brown, Director  
chris.brown@turpinsmale.co.uk  
Charles Manners, Director  
charles.manners@turpinsmale.co.uk

ZBP Acoustics  
www.zbp.co.uk  
020 8940 8161  
Alex Krasnic, Senior Acoustician  
akrasnic@zbp.co.uk

Senior Associate Members  
Paul Arnold, Sefton Horn Winch  
Christine Puttick, Merritt-Harrison Catering Consultancy

Associate Members  
Edward Bircham, Humble Arnold Associates  
John Gillam, The Peter Burholt Partnership  
Jo Headland, JoH Design  
Matthew Reeve, CDIS-KARM  
James Shaw, GWP Ltd  
Mark Shentall, Humble Arnold  
Matthew Summers, Hepburn Associates  
Stuart Timms, GWP Ltd  
Clive Walton, Sefton Horn Winch
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FCSI UK & Ireland helps members and the wider foodservice industry to prosper by sharing knowledge and raising standards.

As a group of over 1,000 foodservice experts worldwide, FCSI has the knowledge and insight to deliver innovative, commercial and sustainable solutions to foodservice business challenges.

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