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NEW REPORT

HORECA REPORT 2016: WHAT COMES NEXT?

An analysis of the digital disruption to online grocery from meal kits to delivery start-ups

August 2016

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Is the future of food artisanal, local and unique? Or will it be dominated by chains and be bland, inoffensive and globally recognizable?

There are many pointers that we have reached peak chain. Then again there is still a place for the big corporates, as their business model economics trump smaller indie start ups. Starting from much better supply chain efficiencies and better quality controls, they are especially good at the occasional convenience of not having to cook a meal and not having to argue with fussy kids – or for the business traveler and tourist. But they are very much tied to bricks & mortar.

On the other hand the boom in artisanal, organic, health & wellness, independent, street food, etc shows no sign of slowing down. Clearly the future of food is bifurcating and “average is over”, which is bad news for the undifferentiated middle. It will be either the best value/cheapest options (chains) or the luxurious best. The current middle will get squeezed hard.

Behind this development is that fact that many shoppers are starting to shift their meals to prepared food, either from stores or restaurants. This is where chain restaurants can realize the cost benefits of their industrial scale. **It’s also a clear argument to team up with the delivery start ups, from GrubHub to Amazon and UberEats.** It should be noted that people who don’t cook at home are going to be more sensitive to pricing.

Those cooking at home will be looking for something special when they dine out at a restaurant. That will imply a cuisine they don’t normally prepare or something that requires a high level of expertise. It’s going to be more artisanal, focused on the craft of cooking. (The high-end Italian, the macrobiotic vegan place, or one of the many family-run ethnic restaurants...)

So what is just around the corner?

With the middle ground being eroded new spaces open up. Especially in large cities, there is an increasing number of new “mini” chains. These tend to edge up the generic chain experience and give shoppers something of a local feel, often with more creative food stylings. Even a handful of locales can reduce operating costs (when food production becomes more centralized) and increase buying power - and of course kitchens can be shared.

The other massive opportunity can be found in the digital transformation and new business model emerging. The digital disruption by meal kits and delivery start ups and the transformation they bring is still poorly understood.

But there are also a number of threats on the horizon:

The trend to unintentionally cloned-yet-unique hipster enclaves that have their own name and menu but are basically interchangeable with a hundred other brick oven pizza, high end coffee roasters etc is fizzling out – because it becomes too mainstream.

The cost structures are changing, especially with rising minimum wages and other regulatory burdens threatening restaurants.

For more insights and recommendations dive into our latest report…

RETAIL
KEY QUESTIONS

- Does the boom in fresh and fresh prepared require new stand-alone outlets?
- How will Whole Foods new 365 format set new standards in foodservice?
- Will grocery stores all look like Eataly in future? How has it blended foodservice and grocery so well? Why is Kochhaus such a great innovation?
- How can foodservice support a click & collect offer?
- How much longer will the sushi trend in retail continue? Where will the sushi trend go, who are some of the leaders?
- What is Dutch hypermarket Jumbo's Foodmarkt concept about? What lessons can it teach fellow hypermarket retailers about how to modernise the format?
- How has Kroger ramped up its foodservice offering both through offline and online channels? What role will its concept Main & Vine banner play?
- How has IKEA become the leading non-food retailer in foodservice sales? How successful has its inner city centre store concept been? How has IKEA used foodservices to design new stores in the US?
- When did restaurant/bar sales overtake grocery store sales for the first time in the US?

FOODSERVICE
KEY QUESTIONS

- Why has breakfast become a key battleground for foodservice players?
- Is fast casual already dead? Or has the fast casual trend just lost steam? Are fast food chains really doomed?
- Who is the outstanding foodservice player on a sales per store basis?
- Why has Starbucks beaten Apple and Google in how to make mobile payments work? How has Starbucks's Mobile Order & Pay app help rethink its store design and location strategy?
- What does the future hold for McDonald's? Will breakfast be the answer? Can it win back customers from the more premium artisanal burger restaurants? In what ways have McDonald's become more convenient for customers on both sides of the Atlantic? How relevant is the company in today's health and wellness and fresh-conscious society?
- What have been the success factors for fast casual burger chain Hans im Gluek?
- What is clever about Akindo Sushiro's use of customer data?
- What strategies are in place at Itsu to compete for the busy lunchtime trade and develop the brand among grocery shoppers?
- How have bakery-café chains Le Pain Quotidien and Panera Bread consistently remained leaders in the fast casual space? What resonates so well with customers?
- Which well known UK pizza chain is focusing on its retail range to build brand awareness?

ONLINE - MEAL KITS
KEY QUESTIONS

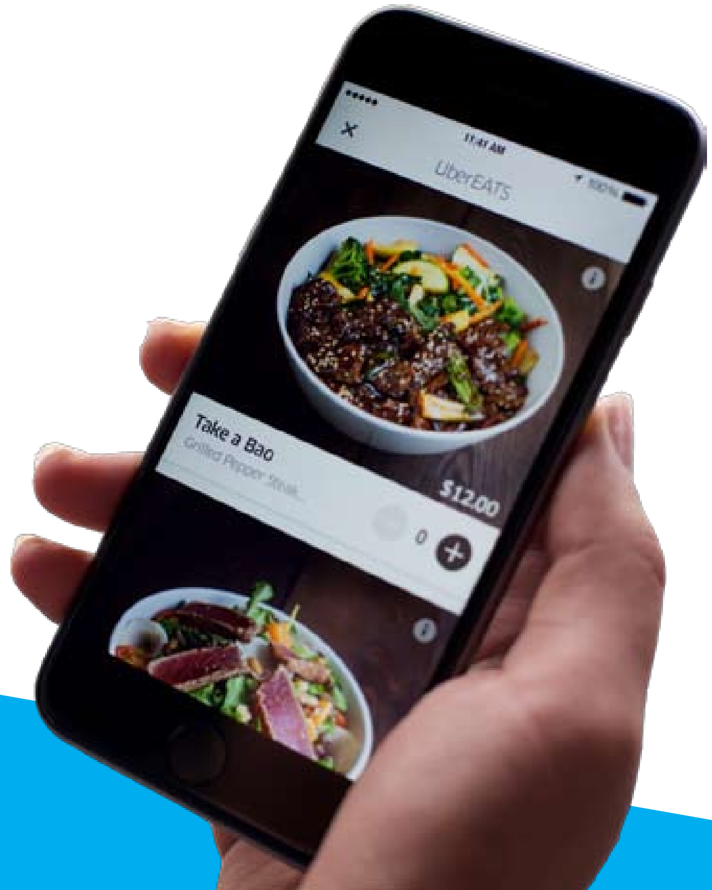
- What are the major new online models disrupting the foodservices sector?
- How do meal kits help organic farmers sell new products and guarantee sales volumes? Is this the most efficient and least wasteful way of getting the right amount of food to the end customer?
- What are the advantages of meal kit provider Blue Apron's recipe led approach rather than being ingredients focused?
- Who are the major players and which grocery players are keen to get into the business?
- Will Amazon dominate meal kits in future? Why has Amazon decided to enter the meal kits space?
- What niche foodservice sector are players EatFirst, Bonapeti and Pure Package in?

ONLINE - DELIVERY MARKETPLACES
KEY QUESTIONS

- Who are the leading online delivery platforms and how are they different from each other? What are the key battlegrounds in the sector?
- Why do online delivery companies hold the best insights on where to open offline restaurants and what cuisine to offer in which area?
- Who will come out on top between UberEats and deliveroo?
- What are decentral kitchens such as roo boxes?
- Will foodservice all be about last mile logistics in future?
- What is Maple and what is unique about its business model? What are the advantages and disadvantages of the approach? Is Maple the model for all future restaurants?

STREET FOOD
KEY QUESTIONS

- What is London Union and how is it changing the food landscape in the UK's capital?
- Who are StreetDots and what service do they provide?
- What is the unique concept behind Denmark's Torvehallerne? Why has it been so successful to date?
- What innovations can we expect from the sector?



RECOMMENDATIONS

- How can foodservice players identify enduring trends and avoid short lived fads?
- Will vertical integration become much more important for whole-salers supplying independents?
- What are the hottest digital innovations in foodservice right now? Who is innovating at the back end?
- Will the future all be about healthy customisation such as offered by the NY or UK salad bar players (Tossed, Vital ingredient)?
- Is cash desk automation just a stepping stone for the cashless society and mobile payment?

FEATURES
FOODSERVICE REPORT

- Stand out innovations profiled from foodservice, retail, online (meal kits, delivery marketplaces) and street food
- Outlines the threat and opportunities from online transforming both retail and foodservice
- Recommendations for retailers, foodservice operators, wholesalers, online players and street food operators
- US data on foodservice and retail spend, fresh prepared data
- Close look at how hypermarket and supermarket retailers are innovating in fresh food, foodservice and blurring the lines
- In-depth analysis of how foodservice players are using online and technology (in fast food, quick service and fast casual)
- The most important points to know about online foodservice models: meal kits/recipe bags and online delivery platforms
- The reasons behind the growing popularity of street food
- An assessment of the technologies that have provided breakthroughs for foodservice players

BENEFITS
FOODSERVICE REPORT

- Learn how to incorporate latest innovations and hot trends from around the globe into your business model and benefit from proven winning strategies
- Understand what the millennial shopper wants, revive footfall, conversions and sales growth
- Appreciate the benefits of joined up thinking and vertically integrating as well as the importance of quality and provenance for food service
- Develop awareness of the latest innovative companies and business concepts disrupting foodservices and food retailing
- Understand in detail how online has disrupted the two industries and what offline players can do about it
- Gain insights into the nuances in the relationship between foodservices and food retailing and how they influence each other
- Appreciate the specific trends and opportunities across different customer segments

COMPANIES COVERED

About Life, Akindo Sushiro, Amazon, Auchan, Blue Apron, Bonapeti, British Street Food, Burger King, Deli de Luca, Deliveroo, Dominos, E.Leclerc, Eataly, EatFirst, Google, Hans im Glueck, HelloFresh, IKEA, Itsu, Jumbo, Just Eat, Kochhaus, Kochzauber, Kroger, Le Pain Quotidien, , Levi Roots Caribbean Smokehouse, Lidl, Linas Matkasse, London Union, M Restaurants, Maple, McDonald's, Panera Bread, Pizza Express, Pizza Hut, Plated, Postmates, Pret a Manger, Princi, Pure Package, Starbucks, StreetDots, Tesco, Torvehallerne, Tossed, Uber, Waitrose, Walmart, Whole Foods

TABLE OF CONTENTS 1/3

TABLE OF CONTENTS 2/3

TABLE OF CONTENTS 3/3

SAMPLE PAGES

Just Eat: consolidating different orders int

- **Looking ahead, there are plans to add payment solutions, offer greater insights to restaurants, and other experiments** such as consolidating orders from different restaurants into a single delivery journey – but this will be extremely difficult to scale, if the logistics isn't owned in house. But there is certainly **work to be done on bundling trips and taking couriers off the road – again this is hard to do as food deliveries are highly time sensitive, hard to scale as there is a rush in orders at peak times and then times when nothing happens at all even in London.**
- **Just Eat has found that it generates higher average transaction volumes for its partners, so that some restaurants have gotten rid of telephone ordering, as online ordering pushes the basket sizes up.**

- **Just Eat also knows due to its historic and real time data what restaurants will work well in a given location.** Just Eat knows what people in the addressable catchment are going online for, which offers exist at what price point, where are there white spaces. With the data one can easily see whether there is space for a sushi restaurant in a certain neighborhood, because currently there isn't one, but the purchasing power levels are high enough and crucially customers are looking for such a restaurant and deliveries from it online.
- Such data can also help to fine-tune the menu by giving hard data on what products convert best at what price points and whether compared to the wider competition the right options are being in effect offered. An operator might have for example missed the gluten free trend etc.

carry/wholesalers, vertical integration with far

- **Vertical integration. The big corporate foodservice chains are also interesting because they have often vertically integrated their supply chains to guarantee quality standards at certain price points and also supply levels.** Just as in retail, vertical integration and owning your own production sites is a core asset to manage the business, input costs, logistics etc. This also enables them to react quickly to emerging trends and launch NPDs, as they own the production sites. Vertical integration should also be good for story telling and marketing.
- **Especially in food service the price quality ratio is of utmost importance for the consumer. So getting to grips with quality is a necessary prerequisite for a successful business.**
- **It should also be noted that in the food service industry it is pretty much all about private label**

- **as the product gets transformed by the chefs** - so getting the right private label offer in place is crucial for any cash & carry suppliers and wholesalers to the industry. For wholesalers and cash & carry retailers private label development takes quite a long lag time. Even if they started to vertically integrate the cycle from inception to product actually being on shelf would probably take about 9 months. **But vertical integration would certainly help with the process**. So perhaps wholesalers should look at acquiring farmland and production sites for agricultural products.
- Private label development raises a further important point: these wholesalers and cash & carry retailers need to be sure they are dealing with a long term sustainable trend. They all want to avoid following a short term fad that has burned out by the time the new product development actually hits the market place.

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