FOOD, DRINK & GAMING – research digest

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FOOD

Jan 2006 Catering Market, Keynote

In 2005, the UK catering market grew by an estimated 4.2%, to £29.87bn at retail selling prices (rsp). Key Note divides the market into the following sectors: restaurants; fast food and takeaways; contract catering and foodservice management; hotels; public houses; licensed clubs; and holiday camps and villages, and caravan/camping sites. In 2005, the fastest-growing sector was public houses, followed by restaurants. Each of the other market sectors also demonstrated growth, although the rate varied widely.

A number of legislative changes with an impact on the catering industry were introduced in 2005. Among the most significant were the new licensing laws, which came into effect on 24th November 2005. The Government argues that the new laws give law-abiding drinkers more freedom to choose when they drink, but the changes have led to increased concern about binge drinking and the additional pressures that could be placed on the police service and hospitals. Another important piece of legislation introduced in 2005 was the Gambling Act, which provides for a new wave of larger casinos, including one Las Vegas resort-style establishment. The Act also abolished the rule that required a gambler to become a member of a casino at least 24 hours before playing its tables or machines. This expansion of the market is expected to result in an increase in catering sales by licensed clubs.

The restaurant sector has attracted considerable merger and acquisition activity since 2000, the largest deal being the £2.5bn takeover of Spirit Group by Punch Taverns in November 2005. Several sectors of the fast-food and takeaway market — particularly burgers — continue to be affected by price discounting and concerns about obesity, while the leading companies in the contract catering and foodservice management sector are increasingly offering a range of other support services in order to maintain their sales and profits. The hotel industry has been badly affected by various incidents and concerns within the UK and internationally since 2001, and the buoyancy the industry enjoyed prior to these events has not yet fully returned.

Key Note forecasts that the UK catering market will show steady growth over the period to 2010. The market is expected to benefit from a continued increase in the number of catering outlets in the UK, improvements in the variety and quality of food on offer, and increasing tourism. Health concerns could continue to affect some sectors of the market, while changes in the structure of the population are likely to have both negative and positive impacts on the various market sectors.

Catering Market, Keynote 2004

In 2003, the UK catering market, as defined by this Key Note Market Review, was worth £27.66bn at retail selling prices (rsp), a rise of 3.1% on 2002. However, in 2003, real growth in the catering market was lower as a result of increases in the catering retail price index (RPI). Over the past 5 years (1999 to 2003), household consumption expenditure on catering increased at a faster rate than expenditure on virtually all other goods and services.

The UK catering market, as defined by this report, comprises restaurants; fast food and takeaways; contract catering and foodservice management; public houses; hotels; and other catering markets, which cover licensed clubs, and holiday camps and villages, and caravan sites. Restaurants represent the largest market sector and comprise roadside restaurants, pub restaurants (which were the best-performing sector in 2003) and other restaurants, including mainly independent operations. In 2003, all catering markets experienced growth, but the strongest performing sectors were public houses, licensed clubs and restaurants.

In 2003, the fast-food and takeaway market recorded a rise of 3%, which is the lowest annual growth the sector has registered for many years. However, the pizza and chicken sectors maintained healthy growth, although even the strongest-performing sector in recent years — sandwiches — experienced a slower increase in 2003.

In the contract catering and foodservice management market, growth of just 2.3% in 2003 was the lowest recorded since 1999. Sales in the mature business and industry sector were static and market growth came from newer sectors, such as healthcare and catering for the public, and through multiservice contracts.

Although the number of public houses is in long-term decline, pub-food sales are increasing as the share of total pub sales taken by food continues to grow. After disappointing years in 2001 and 2002, the hotel market witnessed the start of a recovery in 2003, which boosted hotel catering sales. In the licensed clubs sector, catering sales increased at a higher rate than the catering market as a whole in 2003.

External factors that have a significant influence on the catering industry include socio-economic factors, concerns relating to healthy eating, tourism trends, changes in the weather and levels of disposable income.

Work pressures, shorter lunch breaks, longer commuting times and busier lifestyles in general have encouraged more eating out, as well as greater demand for more convenient and quick eating-out options. Snacking rather than full meal solutions has become more important, particularly during the working day. The growing number of working women, as well as more families with two partners who work full time, has led to a reduction in home cooking and more meals being eaten out of the home.

Concerns relating to obesity and other healthy-eating issues have an effect on sales of certain foods and encourage caterers to consider a wider choice of healthier eating options.

Tourist numbers also have a major impact on the majority of catering sectors, particularly hotels and restaurants. Inbound tourist numbers suffered in 2002 as a result of the events of 11th September 2001, but there was some recovery in 2003. In addition, an even stronger recovery is likely in 2004. The favourable UK weather in 2003 helped to boost short-break holidays and those based in the UK, although the poor weather of 2004 had the opposite effect.

Growth in personal disposable income has been high in recent years and consumer confidence remains relatively strong.

Opportunities for consumers to spend money in the catering industry are increasing. For example, in the eating-out market, greater use is being made of catering outlets in shopping centres, airports, motorway service areas (MSAs) and leisure centres. In addition, the hotel market is available to a wider number of adults through the spread of budget hotels.

In 2003 and 2004, consolidation has continued to be a feature of the catering market, with many of the larger players increasing market share through the purchases of smaller operators. This is particularly true in the public houses, hotels, restaurants, and contract catering and foodservice management sectors. Another emerging characteristic is the growing number of finance houses and investment companies entering the catering market through the purchase of companies and properties. However, despite this trend towards consolidation, most catering markets remain highly fragmented and many small players survive on low margins. The process of brand disposals and a focus on core brands that began in 2002 continued into 2003, particularly in the hotels and restaurants markets.

All catering sectors have had to deal with increased regulation and legislation, which drives costs up and requires more management time. Another issue facing the market is the skill shortage for key trained staff.

Higher volumes of incoming tourists to the UK, as well as more domestic trips by UK residents, are forecast for 2004 and 2005, which will have a knock-on effect on catering sales. In addition, stable economic conditions will contribute to market growth. Overall, Key Note forecasts that the UK catering market will show steady growth over the next 5 years to 2008. Eating out, in particular, is now an established part of the leisure activities of most adults and restaurants are expected to be one of the strongest growth markets over this period. In addition, there are many opportunities for further market penetration by contract caterers and foodservice management companies, and this sector is forecast to experience good growth to 2008. The gradual recovery in the hotels market will continue, provided that there are no more extraneous factors, such as further terrorist attacks, for the market. New legislation, such as the liberalisation of the licensing laws and less restrictive gaming laws, should also boost catering sales in pubs, restaurants and casinos.

UK Coffee Shop & Sandwich Market, keynote November 2005

The market for coffee and sandwich shops continues to grow in the branded sector, in terms of both numbers of outlets and turnover at the major operators, despite the reported saturation within the market. However, growth of the branded shops is at the gradual expense of the small independents and minor multiples, as the majors expand outside London and the South East into high streets at popular historic, university and tourist towns. They are also taking new business at out-of-town shopping centres, concessions within other retailers' outlets, and travel-related locations such as railway stations, airports and motorway service stations. Profitability of the branded operators is assisted by the fact that outlets outside London, in particular, are likely to reach a level of profit more quickly than those in high-rental, prime central-London locations.

Growth is supported by the continued increase in the proportions of 45 to 54 year-olds within the total population, of ABs and of women in employment — all of whom are prime customers of coffee and sandwich shops. The preference for eating at these venues, rather than having lengthier and more expensive lunches at restaurants, is sustained by the continuing need for shorter lunches within a busier working life. In addition, many women choose to eat at coffee and sandwich shops, as they are perceived to offer a `lighter' and more friendly atmosphere.

The leaders in the branded coffee-shop segment are Starbucks, Costa and Caffè Nero, while their equivalents in the branded sandwich-shop segment are Subway, Pret A Manger, Bakers Oven, O'Briens and Benjys. These are gaining share within the total branded outlets sectors, particularly through their offering of a wider range of food and drink products. These are often higher-margin items, improving profitability, with this tactic blurring the distinction between coffee and sandwich shops in general.

The `top ten' branded coffee-shop operators are estimated to now represent 59.3% of the total branded sector in terms of outlet numbers and 70.6% by turnover. All branded coffee shops are estimated to account for 31% of the total coffee-shop market by outlet numbers, and 34% by turnover.

The sandwich-shop sector is more complex, with one estimate putting the total number of cafés and takeaway food shops at around 30,000. The more major branded sandwich shops represent only a very small share of this total, although Subway, Pret A Manger and Bakers Oven account for an estimated 72.2% of the `top 11' branded shops by outlet numbers, and 79.1% by turnover.

Despite growing competition from other retailers — such as grocery multiples and department or variety stores — the branded coffee- and sandwich-shop sectors are predicted to grow at a rate of between 7% and 11.8% per year in value terms over the period from 2005 to 2009. The total coffee-shop sector is estimated to grow at a rate of between 3.9% and 5.3% per year, reflecting anticipated gains in share by the branded coffee-shop operators.

Coffee shop & sandwich market, keynote 2004

Up until the mid-1990s, coffee and sandwich shops were essentially similar entities. However, the arrival of both US- and Italian-style branded coffee shops in the middle of the decade caused a part of the sector to differentiate itself from the traditional coffee and sandwich shops that existed in many towns and cities.

These branded coffee shop chains represent virtually the entire growth in the coffee shops market. Starbucks, the US-based international chain, and the Whitbread-owned Costa Coffee are now the largest in the UK, with Caffe Nero and Coffee Republic as two further important branded chains. The rapid growth in popularity of coffee shops in the economic bull years between 1995 and 2000 — with high-quality and high-priced coffees and patisserie items — resulted in large numbers of shop openings, mainly in Central London. By 2003, the branded coffee chain segment claimed a 28.2% share of total coffee shop outlets nationally, and a 30% share of sales value. Forecast growth is anticipated to increase this to a 39% share of outlets and a 43.6% share of sales value by 2008.

Total numbers for sandwich shops are difficult to obtain, with the sector proving more fragmented than coffee shops. The 'top ten' sandwich shop operators have only around 850 outlets, the major chains being Bakers Oven owned by Greggs bakery, the US franchise operation Subway, Pret A Manger and O'Briens Irish Sandwich Bars. In recent years, these and others have had to combat the new coffee shops with improved offerings. The pioneer of the high-quality, high-priced sandwich and takeaway food sector was Pret A Manger, with Bakers Oven now a significant competitor.

The economic downturn since 2000, coupled with other factors such as the saturation of prime Central London locations, high rents, the high cost of shop openings and increasing competition from other retailers, have had a continuing negative effect on profits for all coffee and sandwich shop operators. Plans to improve sales per customer now include increased expansion into provincial towns and cities, which offer cheaper rental rates and less direct competition, and widened and improved offerings in terms of food and ambience. Coffee and sandwich shops are thus moving closer together again, with Coffee Republic expanding its food element and renaming itself Republic Deli and Pret A Manger opening Pret Cafés with soft furnishings and more eat-in facilities.

Coffee shops have been successfully increasing their turnovers — particularly those of the major branded chains — albeit against a backdrop of growing competition from the likes of supermarkets and variety stores, such as Marks & Spencer. However, slower future growth is forecast for the total market for sandwiches — of only 3% by volume and 3.8% by value — between 2004 and 2008, in comparison with an estimated 10.3% growth by value over this period for coffee shops.

This, however, makes a comparison between total retail sales of sandwiches through all outlets and total product sales by the coffee shop sector, since no trend figures for total product sales through sandwich shops are available separately. Supermarkets, bakers' shops, sandwich shops and cafés, variety stores, corner and convenience stores and petrol forecourt shops are all significant outlets for sandwich purchases, with sandwich shops accounting for an estimated 15.3% of sales by volume. Judging from the turnover growth at Greggs and Benjys, it is likely that sandwich sales growth through dedicated outlets is much higher than through all outlets. Key Note estimates a 7% growth in product sales through sandwich shops in 2003, down from 10% in 2002. This feature is in line with product sales growth through the branded coffee shop chains being much higher than sales growth through total coffee shops.

Economic and social trends still favour growth in the coffee and sandwich shop markets. Short lunch breaks, resulting from extra workloads among office workers, have led to a continued demand for sandwiches and other bread products, such as rolls, baguettes and submarines, whereas socialising at lunch and after work will continue to bring in business for coffee bars. Women are particular visitors to coffee bars, and women are gradually representing a larger share of the workforce. Sandwich shop customers represent a broad age group, while the younger generation tend to be the all-important customers of coffee shops.

Tuesday, 21 December 2004

Latest research from MINTEL finds that a truly British institution - the local fish and chip shop - ranks as Britain's favourite place to eat. Indeed, in three months alone, as many as half of Britons visited one. This traditional fayre is closely followed by a meal down the local pub, another time-honoured British establishment, which attracts 46% of diners.

Chinese, sushi and noodle bar, restaurants and takeaways rank a close third at 45%, followed by pizza restaurants and takeaways, which entice some 35% of British diners. Surprisingly, this leaves the now almost ubiquitous Indian curry house languishing in fifth place, with only around three in ten (31%) having visited an Indian restaurant or takeaway during this time.

"Although the British are renowned for their penchant for Indian and Chinese takeaways, it is in fact the good old British chippy, which is considered a firm favourite amongst British diners today. The popularity of pubs and fish and chip shops just shows that there is still a real desire to eat British food. Pubs have been at the forefront of reviving and rejuvenating interest in British cuisine. Gastropubs, chain pubs and dedicated pub restaurants, which serve reasonably priced meals, have inherently transformed how the public view pub food today," comments Linda Haden, Senior Catering Analyst at MINTEL.

Despite the trend towards more traditional British eateries, it appears that the British palate is still the most diverse in Europe. Indeed, when it comes to trying ethnic dishes, the British are considerably more adventurous than their continental counterparts with as many as seven in ten (68%) Britons agreeing that they "like foreign food". This compares to just 29% of Spaniards. The French (at 59%) and Germans (at 64%) fail to match British interest.

Who needs an expert?
When it comes to choosing where to eat, British diners reject the food critics, in favour of word of mouth from family and friends. As many as 35% of adults feel the best restaurants they have ever eaten in were recommended by friends and family. Meanwhile, just 8% "trust" food guides and critics, these experts, seemingly, having little influence on Britain's dining decisions.

"It is clear that customer recommendations are the lifeblood of a restaurant. It is fair to say that most people will know the standards their friends and family expect, together with the kind of food and ambience they like, making recommendations from family and friends more relevant. While in many cases it is likely that consumers will have similar tastes to friends and family, it may be that diners feel that their tastes are far removed those of the critics," comments Linda Haden.

A £25 billion pound market and growing
By the end of this year Britain will have spent a staggering £25 billion on eating out, the vast majority of which (£21.9 billion) will be spent in budget and mid-market establishments. The remaining £3.1 billion will have been spent in premium restaurants.

There is little doubt that the trend towards eating out of home continues to boom. Although the share of spend on food for the home (accounting for almost 70% of the total food market) exceeds that spent on eating out, growth in the eating out market continues to rise faster than in-home dining.

"Eating out now plays a major part in British life and is no longer reserved for special occasions. The introduction of widespread quick-service and casual dining brands over the last 20 years has radically altered how Britons eat. Generally, eating out on the spur of the moment, without the need to dress formally, is now a widely accepted norm, particularly amongst younger people. Budget and mid-market operators are certainly well placed to satisfy the current need for informality, and this will undoubtedly continue to boost their trading prospects within an overcrowded eating out market," comments Linda Haden.

Money is no limit for Britain's romancers
On average the British spend over £1250 each on eating out a year, the majority of which (£820) is spent in restaurants, with considerably less (£365) being shelled out in fast food joints. Coffee shops, sandwich bar

chains and other cafés account for the remainder of the spend.

The average diner spends around £10 a head on an everyday meal, while those splashing out on special occasions spend around £22. Those opting for a European restaurant are the biggest spenders.

When it comes to treats or celebrations, Britons are willing to spend considerably more than average between £10-29 a head. A substantial number, some 27%, are willing to overstep the £30 mark, with a small proportion (7%) forking out more than £50 a head.

It seems, that when romance is high on the agenda, people are even less concerned about cost, and more than willing to edge over the £20 mark. Some two in five diners (38%) who had romance on their mind opted to pay more than £30 per head on special occasions.

Future feasts
Despite the intense competition, overcapacity and downward price pressures within the eating out industry, both the budget and mid-market sectors are anticipated to remain buoyant. A host of economic and demographic factors will continue to contribute to their prosperity. First and foremost, eating out spend is predicted to rise in the immediate future, with the market poised to touch £31 billion by 2009. As the UK eating habits evolve to emulate those in the US and parts of Europe, an ever greater proportion of income will be spent on eating out and takeaway meals as opposed to in-home dining.

About Mintel

Ethnic foods Keynote, August 2006

Sales of ethnic foods in the UK amounted to over £1bn in 2005, although they still only account for around 2.3% of total spending on food in the UK. However, this figure almost certainly underestimates the true size of the market, since many people make ethnic meals from scratch at home using ingredients and spices that do not fall under the remit of this report.

In 2005, the total UK ethnic foods market (including rice) grew by 2.9% to stand at £1.33bn at retail selling prices (rsp). Excluding rice, the market was worth £1.11bn. Sales growth has slowed markedly over the past 5 years, a slowdown that reflects the failure of food manufacturers to come up with a `new' ethnic cuisine that could reinvigorate the sector. The declining rate of sales growth also reflects the maturity of the chilled foods sector.

Consumers have become so accustomed to Indian and Chinese food that many of the meals in these sectors are now regarded as staples and, as such, no longer generate the excitement that they once did. At the same time, much-hyped new areas such as Thai food have failed to live up to expectations. The main suppliers appear to have given up searching for a new breakthrough sector, and are now pinning their hopes on developing regional Indian and Chinese foods.

Indian food is the leading sector in the market, accounting for 47.1% of all ethnic food sales in 2005, followed by Chinese at 30%. These two sectors have dominated the market for 30 years and show no signs of relinquishing their dominance. The title `the next big thing' has been bestowed on a number of cuisines over the past 20 years, including Tex-Mex, Thai and Oriental, but none has emerged to pose any real threat to the `big two'. Indeed, sales of Thai food appear to be stagnating, reflecting a lack of new product development (NPD). Marketeers are now touting North African food as an emerging sector and sales are certainly growing quickly — albeit from a very low base.

Key Note expects the market for ethnic foods to enjoy relatively fast growth over the next 5 years, outpacing both inflation and the increase in the size of the overall food market. Continuing demand for both convenience products and premium ready meals is likely to prove the major driver of growth. Key Note believes the major suppliers are having some success in reinvigorating the market with the new focus on regional and `authentic' dishes, which often command a price premium over traditional mainstays such as chicken madras. Key Note also predicts that the rice sector will grow at above the rate of inflation over the next 5 years. Rice's convenience means it is increasingly popular in the UK, while rising global demand, which is likely to continue outpacing supply growth, will cause prices to rise and contribute to the overall increase in the value of the sector.

Ethnic foods, keynote Feb 2005

This Key Note Market Report examines the UK market for ethnic foods and focuses on a broad range of products from Asia, the Far East and the Americas. The report looks mainly at sales of mainstream ethnic products through major retailers. In 2004, the total UK ethnic foods market (including rice) was worth £1.29bn at retail selling prices (rsp), a rise of 3% on 2003. Excluding rice, the market was worth £1.08bn at rsp, which represents a 3.2% increase on 2003. However, growth in the market has slowed considerably over the review period (2000 to 2004); in 2001, the UK ethnic foods market (excluding rice) rose by 10.7%. This suggests that the market is now reaching maturity.

Two main factors have influenced the expanding appetite for ethnic foods in the UK. Britons are travelling overseas with much greater frequency, and to more exotic locations, than they did even 20 years ago. Travellers who experiment and enjoy what they have eaten overseas often try to repeat the experience at home. In addition, the UK population has become far less homogenous as a result of the mass immigration that has taken place over the past 50 years. Immigrants have introduced new foods to the indigenous population, usually via takeaways and restaurants.

Convenience is one of the main factors that influences the ethnic foods market. Ready meals that can be prepared within minutes in a microwave oven have long been one of the main drivers of growth. Cook-in-sauces, which enable consumers to prepare a meal very quickly, are another key growth area. Over the past 5 years, other convenience products — such as microwaveable rice and prepacked vegetables with stir-fry sauces — have also risen at robust rates.

However, consumer interest in the dominant ethnic cuisines — Indian and Chinese — might now be flagging, after 30 years of strong growth. Many of these meals are now regarded as `staples' and, as such, no longer generate the excitement they once did. In addition, newer varieties, such as Thai food, have failed to deliver the growth once expected of them. Chilled ready meals, which accounted for 40.6% of all ethnic food sales in 2004, have increased rapidly over the past 10 years although, inevitably, these are now slowing as the market matures.

Key Note forecasts that, over the next 5 years (to 2009), the UK ethnic foods market will show relatively strong levels of growth. The value of the market is anticipated to rise at a faster pace than inflation, as a result of increasing sales of added-value and premium products, particularly in the chilled cabinet. Sales of organic and lower-fat dishes, as well as premium regional dishes, are likely to rise strongly in the ready-meals sector, which will continue to be one of the main drivers of growth. In addition, retailers are expected to continue to target the takeaway sector by offering a greater variety of competitively priced ethnic meals. The rice sector is also expected to grow strongly in value terms, as global demand for rice continues to increase at a robust rate, driven by improving living standards in Asia.

The UK Eating Out of Home Market is set to expand by £2.3 billion by 2010

Horizons, the leading foodservice and hospitality sector analysts, have completed their annual review and update of the £35.8 Billion (€52 billion, $66 Billion) market.

Horizons latest research shows that the eating out of home market was worth £35.8 billion in 2005, with the popular catering sector – restaurants, quick service outlets and pubs – accounting for 61% of the total.

The total market will put on an additional £2.3 billion to reach £38.1 billion in 2010. The market is beginning to pick up again after quite a few years in the doldrums. But there are many unknowns along the way such as the outcome of the smoking ban and the impact of the run up to the Olympics in
Over the next five years, Horizons expects restaurants to increase their sales by over 11% with Pubs and Hotels growing by 6.5%.

The non-commercial or cost sector, in contrast, will barely grow at all with an increase that is not anticipated to exceed £60 million by 2010 – on total sales of £3.8 billion

Horizons;

Fast food & home delivery October 2006, keynote

The fast-food/takeaway and home-delivery market in the UK reached a value of £8.69bn in 2005, having grown by 3.7% over the previous year. If coffee shops are included, the value of the market reaches £10.78bn, with sales growth of 4% recorded in 2005.

This report analyses the following sectors of the market: sandwiches, burgers, fish and chips, pizza, chicken, other fast food/takeaway and coffee shops. Coffee shops have not traditionally been a main sector of study in this report, as they are covered in a Key Note Market Assessment (Coffee & Sandwich Shops, published in November 2005). However, given the growth of this sector, they are now covered in more detail in this year's report.

As consumer lives become more hectic and time poor, they are searching for services that save them time and offer high levels of convenience. Fast food is an ideal solution for providing quick meals. In response to this development, the supply of fast-food outlets is expanding, both in terms of the number of outlets and spatial location. At the same time, the standalone fast-food outlet is facing increased competition from multiple retailers who are seeking to move into this market with their own in-house cafés and fast-food restaurants.

The above forces are generally driving forward demand. However, the sector is also facing a new, and potentially far less supportive, phenomenon: health consciousness. A growing number of consumers are becoming concerned about the impact of eating fast food on their own health and on the health of their children. Key Note's research shows that more than half of those visiting a fast-food restaurant in the past 6 months have altered their eating patterns by opting for healthier meals (e.g. sandwiches and salads), reducing their frequency of visiting outlets or opting for smaller portion sizes.

Coffee shops have also been a major new growth area of the market, mainly as a result of their ability to pull in new types of consumers to the market; for example, more affluent and older consumers rather than the traditional young and less affluent users of fast-food outlets.

Despite the health concerns, fast food remains very popular, with more than 60% of adults visiting a major fast-food outlet in the past 6 months. However, the health factor will impact on the future demand for fast foods, with sectors such as sandwiches, chicken and pizza likely to be the fastest-growing areas of the market, while sectors such as burgers and fish and chips will experience a slowdown in growth.

Future growth in the industry will be relatively stable, with annual average growth of less than 5% per annum in current prices predicted for the next 5 years. Even this level of growth could be threatened if advertising bans are introduced to limit the advertising of `junk food' to children at certain times or, in the worst case scenario, at all times. On a more positive note, the growing use of the Internet and mobile telephones to order delivered or takeaway food will aid the industry, helping to reduce costs and possibly allowing outlet rationalisation in areas oversupplied with fast-food shops.

Fast food & home delivery keynote 2005

The UK fast-food/takeaway and home delivery market was valued at an estimated £8.38bn in 2004 at retail selling prices (rsp), representing a sales growth of 3.9% over the previous year. The pace of growth in the market quickened in 2004 following a sales increase of just 3% in 2003.

More consumers are looking for convenience in their food purchases, while busier working lives have also benefited fast-food sales. The opportunities to purchase fast food are also extending, with a wider range of outlets now serving sandwiches, snacks and hot food. Traditional high-street sites have been joined by more outlets in transport terminals, by the roadside, in leisure venues and shopping centres. Standalone sites from the global fast-food brands are also facing growing competition from sales in supermarkets, high-street stores, convenience stores and petrol forecourts. Major obstacles to sales growth during 2004 have been growing concerns about obesity and the negative media coverage of the fast-food industry.

Sandwiches form the largest market segment contributing 36.5% of all sales in 2004. Sandwich sales have benefited from the trends towards shorter lunch breaks and the corresponding demands for light lunches and snacks. Rapid expansion of chains such as Subway and Benjys have also helped sales, along with more variety in the fillings and bread types available.

The second-largest segment is burgers, which is recovering after a year of poor sales in 2001. Menu diversification means that traditional burgers now take a smaller share of sales. Burger outlets, in particular, have tried to counteract the negative publicity associated with obesity by introducing healthier foods such as salads, fruits, more vegetarian options and healthier breakfasts. The strongest growth in 2004 occurred in the pizza market driven by increased sales in the home delivery category. New product developments (NPDs) have also helped sales. The sales performance of the chicken sector was weaker in 2004 than in 2003, but outlets continue to gain from some customers switching from burger restaurants. Sales growth in the fish and chips sector remains limited.

The other fast-food and takeaway sector includes a variety of outlets, such as coffee shops, Indian and Chinese outlets, sushi and noodle bars, soup bars, salad bars, organic food outlets, and doughnut and muffin shops. Traditional market segments, such as Chinese and Indian, are mature sectors experiencing little growth, but the coffee shop segment continues to exhibit healthy growth. Several menus in coffee shops are diversifying.

Over 54% of all adults have used a fast-food outlet in the year 2003/2004 so penetration is relatively high.

Sales growth in the period 2005 to 2009 is forecast to be less than the previous 5 years, partly due to concerns over healthy eating issues, increased competition from other outlets and saturation in some market segments.

Healthy Eating, keynote August 2006

Healthy eating has been high on the agendas of the Government, the media, consumers and the food industry for many years, but interest has undoubtedly accelerated since the previous edition of Healthy Eating was published in July 2004. A number of initiatives have been set in place following the May 2004 publication of the Third Report on Obesity by the Health Select Committee, which estimated that the annual cost to the country of obesity-related conditions was £3.7bn and which criticised a number of government departments — including Transport, Health, and Culture, Media & Sport — for failing to work together to tackle the problem. Areas that are currently under the spotlight include: food labelling, school meals and the advertising of food to children.

Once a niche sector with availability limited mainly to health food stores and specialist outlets, the market for organic food increased very rapidly during the second half of the 1990s. As the market has matured, growth has become steady rather than spectacular, but it is still very much a thriving sector.

Although functional foods were initially slow to gain acceptance in the UK, consumers have gradually become more receptive to them. The development of products with functional benefits are gradually extending to sectors beyond the core product areas of breakfast cereals, margarines and yoghurts, and the market has increased rapidly since 2000/2001.

The market for low-fat and low-sugar variants of mainstream foods began to take off during the mid-1980s. Originally marketed mainly on a slimming platform, the focus has increasingly turned to the overall health benefits of reducing the consumption of fat and sugar, both of which were singled out by the 2004 Health Select Committee as being potentially undesirable.

Hot Beverages December 2004 keynote

The hot beverages market — defined in this report as instant and ground coffees, leaf teas, fruit and herb teas, and chocolate and malted drinks — grew in value terms in the year ending August 2004 by 1.1% over the same period in 2003. This has allowed it to regain the 1.1% ground lost in the previous period.

The market is dominated by instant coffee (representing 41.2% of total value) and leaf tea in bags (at 37.1%), but it is the niche segments within these major sectors that have shown growth and have helped moved the market forward in the year ending August 2004. The total market was falling in value until the year ending August 2003.

The mainstream instant coffee and bagged leaf tea sectors continue to fall in value, but there has been growth in decaffeinated, Fairtrade and speciality instant coffees and leaf teas, and in green teas. The speciality coffee market has been boosted by the `coffee experience' in coffee bars, while the Fairtrade element has received substantial publicity. There has also been growth shown in ground coffees — which represent an 8% share within hot beverages — and in fruit and herb teas (with a 2.5% share). However, the total coffee market appears to have bottomed out in value in the year ending August 2003 and grown since, while the total tea market (including the 2.6% of the total hot beverages market accounted for by loose and instant teas) continues to fall.

The chocolate and malted drinks sector represents the remaining 8.6% value share of the market. This sector also bottomed out in the year ending December 2002 and has grown in the years ending August 2003 and 2004, with both the chocolate and malted drinks segments growing faster than chocolate malted.

Nestlé and Kraft dominate the instant coffee market with their Nescafé and Kenco brands, with a combined value share of 81%. The ground coffee market is more fragmented; the leading brand, Sara Lee's Douwe Egberts, only holds a relatively small value share, at 12%. The leading Fairtrade brand is Cafédirect, at 6%.

The bagged leaf tea market is dominated by Unilever Bestfoods and Tata Teas, with their PG Tips and Tetley brands holding a 60% combined value share. However, other producers, such as Premier Foods (with its Typhoo brand) and AB Foods (with Twinings and Jacksons products), hold more significant positions within niche segments such as instant, speciality and green teas. Twinings is the major force in speciality teas (60%) and fruit and herb teas (between 65% and 70%).

The chocolate and malted drinks market is divided between Premier Foods, the brand leader in chocolate products with its Cadbury's range; Glaxo SmithKline, the leader in malted drinks with Horlicks products; and AB Foods, the major in chocolate malted having acquired Novartis' Ovaltine range in 2002.

Various conflicting factors will continue to affect future growth in the hot beverages market, with year-on-year growth forecast to fall back to only 0.3% by 2009. The ageing population profile in the UK is likely to assist hot beverages growth, owing to greater consumption as age increases, although new product development (NPD) continues to be essential in order to attract new consumers, including children. However, greater awareness and promotion of healthy living is likely to continue to switch consumers away from the caffeine or chocolate ingredient perception of hot beverages, and towards fruit juices and mineral waters. This is being addressed by producers through the launch and promotion of healthier decaffeinated beverages, green teas, speciality and fruit and herb teas, and low-calorie chocolate drinks.

Organic Food Feb 2006 keynote

The total organic food and drink market increased in value at retail level by 10.1% in 2005. Within this, vegetables and fruit increased their share, while dairy and bakery products retained steady shares. The proportion held by meat (and, to a much smaller extent, fish) has grown, as has that accounted for by wines, fruit juices and hot beverages. However, baby foods and the range of other multi-ingredient items have lost share, although baby food sales have still increased. The overall market is now growing at a stable rate of around 10% per year, after much more substantial annual growth between 1996/1997 and 2000/2001.

The introduction of new `decoupled' government payments in 2005 to organic farmers and growers, no longer related to organic production, have created new interest in the market, with a doubling of requests for information received by the Organic Conversion Information Service (OCIS). Meanwhile, the Soil Association continues to promote the range of claimed health, environmental and animal welfare benefits of organic foods and drinks.

The total area of organically managed land in the UK peaked in 2001/2002 and 2002/2003, and steadied at a marginally lower level in 2003/2004 and 2004/2005, as the proportion `in conversion' had fallen to a low percentage. More than 50% of organic land is in Scotland, with less than 40% in England and the remainder in Wales and Northern Ireland. Overall, nearly 90% is grassland, with less than 10% being arable or used for horticulture. The number of organic primary food producers peaked in 2002/2003, whereas the number of processors and importers steadied to a small yearly increase (albeit following a decline in 2002/2003).

The organic food and drink market is characterised by large numbers of small producers, although there is now evidence of increases in size to challenge the remaining smaller companies. There is growing activity in primary producers operating as co-operatives, and the share of organic food sales through direct outlets, notably box schemes, has increased significantly. This has affected sales of organic produce through the dominant grocery multiples of Tesco, Sainsbury's and Waitrose. The higher prices charged for organic products are under pressure from grocery multiples' demands, from increasing economies of scale at producers and from any overcapacity situations resulting from supply temporarily exceeding demand.

A significant proportion of organic meat, vegetables and fruit is still imported, as are many bakery items, fruit juices, hot beverages, baby foods and some multi-ingredient products. The Soil Association continues to campaign against this on behalf of UK farmers and growers, citing the Government's target of only 30% of total organic produce imported by 2010.

The organic food and drink market is forecast to grow at a slowing rate in the future, although still at an annual growth rate exceeding that for non-organic foods for most of the period to 2009. However, Key Note does not predict any substantial increase in the numbers of heavy consumers of organic produce — the majority still buy only relatively small proportions of organic foods and drinks within their total grocery purchases.

Restaurants keynote Sept 2006

Consumers spent £13.25bn on sit-down meals in restaurants in 2005, a market growth of 19% since 2001. Although this figure excludes any spending on alcoholic drinks to accompany meals, it represents around a third of the total consumer catering market (which also includes takeaway food and canteens).

Choice is characteristically broad in the UK, owing to the willingness of the British to adapt to new styles of eating and drinking from all over the world. Portuguese chicken, Japanese sushi and Spanish tapas have joined the more traditional curry houses and French or Italian restaurants found in most British towns. However, the most traditional British venue — the local pub or hotel — still has the highest sector share of formal, sit-down restaurant meals (excluding fast food such as burgers and fried chicken), while other distinct concepts include pizza, curry and roadside restaurants.

Ownership of most restaurants is still fragmented across individuals and families, and there is growing consumer distaste for the more obvious `chains'. However, the market does boast some successful multiples, led by the US-based fast-food giants (McDonald's, Burger King and Yum! Brands — owner of Pizza Hut and KFC), and some outstanding UK groups, including Whitbread Group (Brewers Fayre pub-restaurants), The Restaurant Group (Frankie & Benny's), Gondola Group (Pizza Express) and Nando's. Private equity has been heavily invested in restaurant groups in this decade.

The latest consumer research for Key Note shows that Pizza Hut is the most widely used non-fast-food restaurant chain (by 32% of adults), but most of the branded chains have been losing customers. In July 2006, the international owner of Pizza Hut, Yum! Brands Inc, announced it is buying back the 50% share in the UK business held by Whitbread.

The market will continue to grow even if the economy slows down later in the decade. This is because eating out has become a major element in the lifestyles of younger generations, and the older `baby boomer' generation has been brought up with an expectation of eating out regularly. Problems and challenges for restaurants in the future will include the demand for healthier eating, labour shortages and a torrent of red tape from both UK and EU governments.

Restaurants 2005 keynote

Consumer spending on restaurant meals stalled at £12bn at current prices during 2003 and 2004, as a result of falling confidence combined with the negative impact of publicity on fast food, obesity and healthy eating. In the 5 years to 2004, growth in spending of 11.1% was well below total growth in the consumer economy.

However, the restaurants market does contain areas of optimism as well as pessimism. Defined to cover only sit-down meals within restaurants (excluding takeaways and not counting alcohol in the £12bn value), the market is still led by fast-food meals (24.2% market share in 2004) despite falling between 2000 and 2004, but faster growth is coming from the second-largest providers, public houses (pubs) and hotels. In a survey for Key Note in 2005, 72% of adults were identified as users of pub-restaurants. Pubs have extended and improved their food offer, making it unnecessary for drinkers to `move on' to separate restaurants to eat.

Traditional sectors of the very diverse UK market for restaurants — a diversity that is characteristic of consumer willingness to adapt to new styles of eating from all over the world — include curry houses and Chinese restaurants, steakhouses and unlicensed cafés, but these are suffering from the growth of newer concepts, such as `fast-casual' dining, Spanish tapas and Japanese sushi. Larger towns and cities offer a wide range of opportunities to eat out, including various types of pizza/pasta or chicken-based restaurants, some of which are part of national or even international chains (e.g. Pizza Hut, Pizza Express, Kentucky Fried Chicken [KFC] and Nando's).

The majority of restaurants are, like most pubs, owned and run by individuals or families, but the market is polarised between these `bistro' operations and the multinationals, such as McDonald's and Yum! Brands Inc (owner of Pizza Hut and KFC). The UK's largest indigenous operator is Whitbread PLC, with chains of pub-restaurants and cafés, as well as the UK franchise for Pizza Hut, totalling 1,450 restaurants. McDonald's is second, in terms of restaurant numbers, with approximately 1,300 branches all under the same brand. There have been a fair number of acquisitions among smaller players in 2004 and 2005, including the merger of three well-known brands — Pizza Express, ASK and Nando's under Altia Holdings.

Consumer research shows that the majority of adults eat out regularly, rising to more than 80% among the most affluent professionals. Avoiding cooking at home has become part of the lifestyle of busy consumers, particularly families with two earners. This basic demographic trend should underpin steady growth in future, once the uncertainties of mid-decade are overcome. The immediate future for restaurants holds the prospect of a complete ban on smoking, which should be beneficial to trade in the long term.

Snack foods keynote April 2006

For the purposes of this report, snack foods are defined as crisps, savoury snacks, nuts and baked snacks needing no preparation. In 2005, the total market for snack foods was worth £2.2bn, a decrease of 2.4% from 2004. As the trend towards snacking and `grazing on the hoof' becomes firmly established, more and more products flood onto the market. Manufacturers of crisps and salty snacks not only compete in a mature market dominated in the UK by Walkers, but they face increased competition from manufacturers in other food categories also striving to meet the needs of snackers.

Given the amount of publicity and debate surrounding a healthy diet and an obesity crisis, savoury snack producers are taking measures to make their products healthier before legislative intervention forces it on them. Certainly, healthier products, with reduced sodium and levels of saturated fats, continue to be the fastest-growing segment of the snack market. This is partly due to the fact that food giants are effectively being forced to improve product ingredients in the wake of a backlash from consumers concerned about child health. United Biscuits and PepsiCo are among those companies slashing saturated fat levels and salt content, bringing out healthier versions of the UK's best-selling snacks, such as Hula Hoops and Walkers crisps.

Of major concern is what children are eating in schools and the amount of money they spend on confectionery, chocolate, crisps and canned drinks when travelling to and from school. According to the Sodexho School Meals and Lifestyle Survey 2005, children's spend on the `four Cs' is spiralling out of control and is nearly £190m more than is spent on food by school caterers in producing every school meal in the country. There is a school of thought that says banning such foods from canteens and abolishing vending machines, as from September 2006, will do nothing to alleviate this; in fact it may have the opposite effect. Meanwhile, in the work place, research conducted for United Biscuits by BMRB found that snacking often acts as an excuse to take a break from work and socialise with colleagues.

Mention has already been made of PepsiCo-owned Walkers' domination of the UK snacks industry. In fact, it is this dominance that is blamed for the demise of Golden Wonder, which reigned supreme in the UK in the 1960s, but went into administration in January 2006. Apart from struggling against the power of Walkers, fierce price competition among, and discount offers by, retailers have made trading conditions difficult. There is an increasing trend towards consolidation in the retail grocery industry in both the UK and Western Europe, and these consolidations have concentrated sales channels, increasing the bargaining power of the major grocery retailers.

On the positive side, percentage penetration of crisps and other potato snacks is high, with 88.2% of respondents to a recent Target Group Index (TGI) survey saying that they had eaten them within the preceding year, albeit a decreased percentage from a similar survey conducted in 2004. However, the industry does face the challenge of bringing out new flavours and products to stimulate demand, yet treading carefully for fear of legislative measures aimed at preventing the obesity crisis to which they indisputably contribute.

Trends in Food Shopping keynote July 2006

The origin of modern supermarkets in the UK can be traced back to the beginnings of the Co-operative movement in the 19th century, when a group of independent local retailers joined forces to sell food at affordable prices. However, for decades, there remained a greater degree of self-sufficiency, while post-war Britain was accustomed to stretching meagre supplies with many foodstuffs still in short supply.

This started to change in the late 1950s, as the country recovered economically and food was no longer rationed as supplies returned to normal. The 1960s saw a proliferation of self-service supermarkets, which, in turn, led to huge out-of-town superstores, encouraging one-stop bulk buying. The abolition of Retail Price Maintenance (RPM) — which was phased out over a number of years — meant that consumers benefited from the lower prices brought about by competition and from the timesaving and convenience associated with a one-stop shop. This, of course, was at the expense of smaller independent operators on the high street, many of which were forced out of business, unable to compete on price or extent of choice. Corner shops, which traditionally had an advantage of longer opening hours, suffered too, as supermarkets extended their opening times, now sometimes opening for 24 hours.

Once `a nation of shopkeepers', the retailing of food in the UK is now dominated by the four major grocery chains: Tesco, ASDA, Sainsbury's and Wm Morrison, which all cannibalise each other's sales in a fairly saturated market. Their out-of-town superstores still flourish, but they are also increasingly encroaching on the convenience sector, with small formats on the high street.

The immense power of the principal supermarket chains in the UK has led to them being the subject of an enquiry by the Competition Commission recommended by the Office of Fair Trading (OFT). An All-Party Parliamentary Group for Small Shops published a report in February 2006 (High Street Britain 2015) in which it warned that, by 2015, Britain could be covered with `clone towns', with large retailers lining some high streets and others totally devoid of shops. It also voiced the concern that the grocery multiples will put their prices up again, once the independents have been eradicated from the high street. Predictably, Tesco disagreed with the All-Party Parliamentary Group for Small Shops's view that small shops are in terminal decline, saying that people will use supermarkets and small shops at different times. However, the outcome of the Competition Commission enquiry, which could last 2 years, will be awaited with interest by retailers, large and small alike.

The fact that the large grocery multiples are returning to the high street has come about in recognition of the effect of changing lifestyles on shopping habits. An increase in the number of single households (with little necessity to shop in bulk), increased pressure on leisure time, families eating different foods at different times, and the increasing trend towards snacking, all contribute to a return to `top-up' shopping. Another major change in shopping habits is the advent of Internet shopping. Some people will always want to select produce themselves and others may have no idea what they intend buying as they enter a shop, but, to its converts, online shopping is quick and convenient. Tesco.com claims it is the world's largest Internet grocery store, but, of course, it is not just the large groceries that are involved; e-commerce offers producers an invaluable route to their end user, effectively removing the retailer in the middle.

Research was commissioned for this report from NEMS Market Research in order to ascertain which factors people thought influenced their choice of where to shop. It found that a wide choice of produce was a more important factor than low prices. Certainly, the UK consumer is not short of choice and there are now few seasonal limitations, due to the amount of imported food. However, some people object, on environmental grounds, to the number of `food miles' travelled by imports and, on humanitarian grounds, to the fact that many overseas workers are exploited in the production of food while UK producers and suppliers are bypassed. Such shoppers are encouraged to buy locally and seasonally, and the number of farmers' markets has increased dramatically, as a result.

Market snapshot: Casual dining

(15 August 2005 11:51)

James Horler, chief executive of Spanish tapas bar chain La Tasca, was in bullish mood when in July 2005 he said that the UK market for casual dining was looking great and only “a pretty big downturn” would be able to affect growth.

With La Tasca reporting a 55.6% hike in full-year pre-tax profits, and the chain predicting it will expand to become 100 strong, his comments are worth sitting up and taking notice of.

However, there is little consensus about what, in UK restaurant terms, is actually meant by the casual dining sector.

Stefan Breg of consultancy Tribe argues that, when the vast majority of eating out in the UK is now pretty casual, the whole concept of a separate casual dining sector is nonsensical.

“This has come over from the US, where they have really categorised the market, most of the time just to appease the analysts,” he suggests.

“People coin these terms for a year or two and then move on,” agrees Peter Backman of research body Horizons Foodservice. “Unless you are going to a banquet, dining out is always going to casual,” he adds.

The market

In the USA, the term “casual dining” was coined to describe restaurants one step up from the “fast casual” market.

“Fast casual” describes restaurants that fall between quick-service, counter-based outlets such as McDonald’s and relaxed but table-service restaurants.

Disagreements about precise definitions aside, most observers suggest that casual dining encompasses restaurants that are relatively cheap and cheerful, are smart and pleasing on the eye, but not expensively designed.

They may also, but not necessarily, be themed. The clientele is likely mostly to be young, or at least under 45.

US casual dining chain Tony Roma, which arrived in the UK last year, defines the market as being aimed at leisure and mid-market consumers, with an average spend of £10-£15 a head, including drinks.

Main players

So, which operators in the UK can be considered to belong to the casual dining sector?

Certainly, La Tasca – as one of its most high-profile exponents – would be considered a strong player. But others, such as Nando’s, Clapham House (Gourmet Burger Kitchen), Urban Dining (Tootsies) and Café Med, might also be identified as casual dining.

Tony Roma sees among its competitors the likes of Frankie & Benny’s and TGI Friday’s, with an average spend of £10-£15 a head, including drinks.

Another player is 155-strong group Tragus Holdings, owner of such chains as Café Rouge and Bella Italia.

In a market report last year, it defined the market slightly differently. Under the heading “fast casual” it classified brands such as Yo! Sushi, Nando’s, Wagamama and Gourmet Burger Kitchen.

Rather than defining the next level up as casual dining, it split the segment into:

- **All-day dining** – where consumers can eat quality, healthy food in a casual setting at any time of the day, and
- **Traditional leisure dining** – where the main (but not sole) focus is evening eating out, albeit in a casual setting.

Among the all-day dining brands it included Carluccio’s, Café Rouge, Prezzo, the Wolsey, Browns and Bella Italia

Traditional leisure dining brands included Ask, Pizza Express, Strada, Frankie & Benny’s and Tootsie’s, it suggested.

Future prospects

The Tragus report argued that both all-day dining and fast casual are set be areas of fast growth in the future, partly because they are not yet dominated by any one brand.

Leisure dining and all-day dining brands would need to learn from fast-casual operators to improve speed of service while still operating in a table service environment.

All-day dining will continue to grow as people eat more meals outside the home, the report adds.

On the property front, premises that would lend themselves to a casual dining format are in demand, argues Billy Couper, associate director at agent Christie & Co.

Smaller properties, such as former coffee shops, are in particular getting a lot of interest, he adds.

Source: CatererSearch

Britons are top of dining-out league

(23 March 2006 00:00)

Britons dine out more often than their European and American counterparts, according to a new report from market research company Datamonitor.

Surprisingly, British consumers eat out more frequently than snack-loving Americans, consuming 633 meals out of the home each year, compared with 614 in the USA.

However, while the Brits might top the table in quantity, the Italians spend the most on dining out, spending an annual average of £1,265 per head last year, compared with £1,224 in the UK.

Datamonitor estimates that the average annual spend in the UK will rise to £1,335 by 2010, when an extra 5.2 billion breakfasts, lunches, evening meals and snacks will be devoured outside the home.

Matthew Adams, consumer market analyst at Datamonitor, said a lack of time, combined with more affordable prices, had made eating out an everyday, rather than a special event.

Adams said the survey showed other key trends, as people skipped more meals, ate out at different times of the day, and often chose smaller meals.

Large-scale chain operators Nando's and PizzaExpress agreed that the casual dining market was on the rise.

Simon Ward, of pub-restaurant operator Mitchells & Butlers, said: "Eating out has become an attractive option for time-poor, cash-rich British consumers who don't have time to shop for food, let alone cook it." But he added that special occasions still remained a large part of the eating-out market.

Tragus Holdings has responded by extending opening hours at its Café Rouge and Bella Italia chains. But Bella Italia marketing director Lisa Fredman said there was little evidence of customers wanting smaller portions or healthier options.

Key trends

- Only 5% of Europeans view eating out as a special occasion.
- On average, British consumers ate out on 633 occasions in 2005, consuming 365.2 core meals, including breakfast, lunch and dinner.
- Consumers like the overall experience of dining out best, followed by the opportunity to catch up with friends.
- Many consumers skip breakfasts and lunches - on average one person eats breakfast 114 times a year.
- Consumers expect more than convenience - they also want healthy, fresh options.

By Angela Frewin

Trends & Behaviors in Eating Out 2005, Datamonitor

Research and analysis highlights

Eating-out is increasingly characterized by being less planned, leading to more irregular eating times and reinforcing the trend for more 'snack' or 'quick and easy' meals. There is also a growing blur between foodservice and retail whereby away-from-home consumption has huge implications for both foodservice and packaged goods players alike.

Out-of-home eating is becoming more established. In Europe, Datamonitor forecasts that there will be 12.9 billion extra out-of-home meal occasions in 2008 relative to 2003 and 6 billion extra snacking occasions. Corresponding figures for the US indicate an increase of 8.8 billion meals and 7 billion snacking occasions respectively.

There will be an extra 3 billion foodservice (profit sector) transactions in 2009 relative to 2004 in the US. A similar growth rate is predicted for Europe, where the number of transactions will exceed 41 billion by 2009. The combined value of the foodservice (profit sector) in Europe and the US is forecast to exceed US$700 billion by 2009.

Capitalizing On New Breakfast, Lunch & Dinner Consumption Patterns, datamonitor

Report Published: **25 September 2006**

Introduction

Breakfast, lunch and dinner occasions share many similarities. All are increasingly being consumed away-from-home and all are hugely affected by time pressures. As a result, informality is a trend that characterizes each occasion. Meal occasions are also becoming lighter too a phenomenon influenced by a desire to eat more healthily throughout the day and to simply "grab a quick bite".

Research and analysis highlights

There is now a relatively strong cultural norm of skipping breakfast in both Europe and the US. In 2005, a typical European skipped 18.5% of breakfast occasions which equates to 67.5 occasions per year. An average American skipped 58.6 breakfasts equivalent to 16% of all occasions.

Time pressed consumers increasingly turn to ready meals. The European ready market will be worth US$ 21.7bn by 2010, up from US$ 14.0bn in 2000. In the US, the market is forecast to be worth US$ 16.9bn in 2010, up from US$14.7bn in 2000. The Italian, Spanish and German markets are forecast to grow the most in the next 5 years.

Health needs increasingly impact all mealtime occasions. In July 2006, 68% of US consumers reported that they had "taken active steps to eat more healthily" over the previous 12 months. This compared with 75% of respondents in the UK and 64% of respondents in France, Germany, Italy and Spain collectively

New Opportunities In Out-of Home Food and Drinks Consumption

Report Published: **1 March 2006**

Datamonitor

Consumer eating habits continue to evolve away from three core meals per day consumed within traditional windows. In 2005, the Out-Of-Home food and drink market was worth US$706 bn in Europe and US$515 bn in the US. Time constraints are universal across all OOH occasions, but marketers must understand that health, taste and variety are becoming equally important.

Research and analysis highlights

Consumers feel like they have less leisure time due to work commitments and patterns of commuting. They seek products and services that give them time and social interaction.

Breakfast is a key Out-Of-Home occasion as the number of skipped breakfast continues to rise in Europe and US. Consumers can achieve many benefits from regular breakfasts but only recently have products become focused in their conception and targeting.

Light meals are an important trend to follow as core meals are becoming more fragmented due to lack of available time and snacking compensates by becoming more substantial and nutritious.

Latest Report From Planet Retail Highlights Strong Growth in Global Foodservice Industry

http://www.planetretail.net/Home/PressReleases/PressRelease.aspx?PressReleaseID=48543

Between 2005 and 2010, Planet Retail estimates that global foodservice sales will increase, on average, by 6% annually to USD2,474 billion in 2010. According to Christiane Weinberger, Planet Retail Foodservice Analyst, "This growth will be driven by increased outsourcing, more mobile lifestyles, economic recovery and more, albeit smaller, households underpinning an increase in restaurant visits."

Three regions are principally behind the growth, namely North America, Europe and Asia Pacific. Established markets in these regions will continue to show healthy growth rates, although the highest rates will be generated by new and emerging markets including the BRIC countries (Brazil, Russia, India and China).

Restaurants and fast food chains continue to launch healthier and more varied menus in response to more sophisticated consumer tastes. This has led to increased channel blurring. In addition, other trends include:

- Channel diversification (foodservice operators seeking new channels to sell products).
- Greater visibility of manufacturers' brands in foodservice offerings.
- Format innovations/refurbishments (often with a view to creating more variety).
- Multi-branding (two or more restaurant concepts in a single location).
- Satellite locations, with a streamlined menu.
- Fast casual dining (high quality, affordable food).

Trends in the hotel sector include the disposal of hotel properties as a means of financing international growth, the launch of new lifestyle chains such as InterContinental's Hotel Indigo, as well as standardised concepts for branded food & beverage outlets. These can take the form of partnerships with branded restaurant chains.

The catering industry is continuing to see increased levels of professionalism largely driven by consolidation. As well as driving expansion and sales growth, consolidation also leads to economies of scale. These become vital as caterers seek to diversify their businesses to include catering-related support services such as building maintenance, security and reception services, as well as finding global solutions for global accounts. The industry faces the same trends as the restaurant and fast food sectors with increased concern over healthy eating and a rise in branding.

Home versus Out of Home

The Blurring Boundaries

An article from TNS

- The amount spent on food and drink out of home has grown by 2.6%, where as Retail spend has grown by 4.1% y-on-y (52 week ending April 05)
- This growth of out of home consumption has encouraged an increasing blur between the offerings from both the Foodservice sector and the Grocery sector. The competition is fierce
- The Foodservice sector is worth £27 billion in 2004 compared to the Grocery sector, worth £64 billion (again 52 Wk ending April 05)

Enjoyment and practicality are still key drivers

- Children's increasing healthy habits in home are being mirrored out of home with “healthy” snacks and meals on the increase in schools
- Key categories in growth are fruit, yoghurts and mineral water
- The effects of these “healthy” trends are having a direct impact on the decline of Burger Houses (-10% year on year), which are heavily reliant on families
- However, enjoyment and practicality are still the key drivers of food consumed out of home. Health still only accounts for 2%

Out of home experience in home

- Convenience is important for consumers both in and out of home
- Chilled ready meals and takeaways are both showing strong growth. Takeaways have increased by 5% over the last 2 years

- Heavy Consumers of meals out of the home are more likely to eat convenience in the home
- Prime examples include the introduction of new ranges such as M&S GastroPub, Waitrose, 'As Good as Going out' and Sainsbury's 'Fresh to Cook'
- These premium offerings provide the out of home experience in the home and consequently are positioned as a direct threat to the Foodservice industry

The growth of fast casual dining options

- The increase of sandwich consumption in and out of home (6% and 7% respectively) has heralded the growth of fast casual dining options such as Subway, Pret-a-Manger and Starbucks
- These types of outlets satisfy the 'holy trinity' of consumption drivers, providing a quick, enjoyable and healthy out of home experience
- These fast casual dining options are contributing to the demise of less healthy fast food alternatives

Ethnic foods stabilise but grow out of home

- Consumers are becoming more exposed to different types of cuisines from around the world and therefore ethnic foods have experienced good growth in home (4% year on year) and out of home (6%)
- However, due to the rapid increase in the number of varieties of ethnic cuisine in home, the market is stablising, whereas out of home Ethnic continues to grow. The retail sector needs to adapt to these changes

England's food renaissance

Caroline Stacey

We examine the rise of English cuisine from stodgy underdog to international contender.

The flag of St George seemed to wave from every car window, house and shop front like a patriotic blossom for the World Cup summer, but are we able to fly the flags for English cuisine? St George is the patron saint of farmers and we're hearing his name dropped ever more frequently in gastronomic circles, but how far does England's rediscovery of a national food heritage really go? Are the traditional dishes from the kitchens of Albion really ready to be considered world class?

Restaurant revival

In UK restaurants, there's certainly been a revival of interest in English (sometimes but not always one and the same as British) food and local produce. The Good Food Guide 2006 identified a growth in modern British cooking and a trend for restaurants crediting their producers, suppliers or breeds of animal.

Roast, in London's Borough Market, serves Duchy of Cornwall rock oysters and ox hearts with Worcestershire onions. The Rivington Bar and Grill in east London has opened a second branch in Greenwich offering homely comfort food like Welsh rabbit (aka rarebit) and

Cornish pilchards, and The Three Fishes at Mitton in Lancashire is commended by the Good Food Guide for its dreamy Bowland lamb's liver with spring cabbage, mash and roast garlic. The menu, complete with a map marking the producers who supply the gastro-pub, proved so collectable that in the Three Fishes' first month they had to print 5,000.
Cookery books such as Rose Prince's New English Kitchen, Alastair Hendy's Home Cook, Tom Norrington-Davies' Just Like Mother Used to Make and, from Mark Hix, the chef behind the menu at the Rivington, the simply entitled British, help to evoke the delights of traditional domestic cookery.

Consumers' choice

But does the interest in home-grown fare extend beyond restaurant menus boasting that their wild garlic is foraged in Kent's woodland glades?

In March 2006 a survey carried out for the IGD, an organisation representing grocery distributors, showed that almost two-thirds of shoppers do buy locally produced food; a quarter sometimes buy from farm shops, and as many from butchers. They do so because they believe local produce is fresher. Three-quarters of consumers want to see locally sourced foods named on menus.

Supermarket challenge

Yet when it comes to shopping in supermarkets, it can be a challenge to find British or English produce, let alone locally produced, regional food. Restaurants often champion British poultry, such as Haughley Farm in the south and Goosnargh in Lancashire. Yet shoppers are conscientious too. Our farmers produce 16 million chickens a week and we buy most of them. When we do buy imported chicken we may not realise it: most imported chicken comes in ready meal and nugget form and is difficult to identify as such.
There are many fantastic British cheeses, and again, you'll find the best, like Mrs Kirkham's Lancashire, name-checked on restaurant menus. Yet at the same time our taste for imported cheese is growing - sales are up by 23% since 1998.
Farmhouse ice cream-making is flourishing, but look in the supermarket chiller cabinet and you'll find it crammed with yoghurts and dairy desserts from France and Scandinavia. Imports of yoghurt have grown by 55% since 1998.

Perhaps part of the problem is that we don't always recognise what's home-grown. Almost two-thirds of consumers mistakenly believe that Granny Smith apples (originally from Australia) are English. Supermarkets make it easy to buy out-of-season produce from the other side of the globe, often more cheaply than what's grown on our doorstep, so we may choose not to think too hard about where it comes from.
We may think we appreciate the many different varieties of English apples but, even when our own are in season, shops are full of imports from the Southern Hemisphere. If too many apples are imported from New Zealand, South Africa and Chile once the season for home-grown varieties is finished, British fruit faces competition from Southern Hemisphere apples being sold at knock-down prices once the English season begins again.
Partly as a result, according to Adrian Barlow of English Apples and Pears, since 1987 two-thirds of our apple growers, and the same proportion of hectarage and tonnage of apples has been lost.

Ale of woe?

A similar fate has befallen the English hops with which our beer is flavoured. In the past four years the English hop harvest has halved. Real ale is still brewed with flowery aromatic English hops, but cheaper lagers and bitters use less costly imported American hops. The consumption of cask-conditioned ale and stout, despite vigorous championing by the Campaign for Real Ale has fallen slowly but steadily since 2000. Yet imports of champagne are at a record level. Meanwhile beers such as milds and light bitters are, warns CAMRA, under threat of extinction, and Gales brewery in Hampshire is the latest of many regional breweries to close.

Truly English?

And then there are all those supposedly 'British' jars and bottles that actually belong to overseas companies. HP Sauce is owned by American giant Heinz who bought it from the French last year, as is Lea and Perrins Worcestershire sauce.
So before we congratulate ourselves on our appreciation of English food let's be sure that's really what we are buying, and that we are making the most of the freshest, highest quality produce we're so lucky to have all around us.
Have your say on our **message board**.

April 2006 BBC Food

School food in focus

School dinners have gone from national joke (remember tapioca frogspawn?) to top of the political agenda, with the Government finally banning meals high in salt and fat from the school canteen.

The battle for better meals in schools was brought to the public eye when Jamie Oliver revealed the shocking state of children's diets in his 2005 television series, Jamie's School Dinners. The nation gasped as the cameras filmed classrooms of children who were addicted to chips and unable to recognise a leek, while the dinner ladies were monotonously opening packets of processed food, rather than cooking nutritious food from fresh ingredients.
Jamie's campaign, along with pressure from parents and other pressure groups, led to former Education Secretary Ruth Kelly's pledge to put £280m towards school dinners.

The new rules

From autumn 2006, school dinners in England now exclude crisps, chocolate, fizzy drinks and 'low-quality' meat. School children will be served at least two portions of fruit and vegetables with every meal and deep-fried food will be restricted to two portions per week.
From September 2007, there will be additional rules in place about what can be sold from school tuck shops and school vending machines. Schools will not be allowed to sell confectionery, savoury snacks (unless they're free from added salt, sugar or fat) or sweetened drinks. They must also sell a variety of fruit and vegetable products, such as fresh juices, and must provide access to free, fresh water.
From 2008, primary schools will need to stipulate the vitamin content of school meals; secondary schools will need to do so from 2009.
The Scottish, Welsh and Northern Irish Governments are also developing legislation to ban junk food from school dinners. New plans were put forward to ban junk food in schools by the Scottish Executive in September 2006.

The state of the nation's plate

Britain has an eating disorder - and it starts young. The number of obese or overweight children aged 2-15 has spiralled to around 30 per cent and health experts warn of a time bomb waiting to explode. Poor diet currently accounts for around a third of deaths from cancer and heart disease, the major killers in the UK.

Yet, in recent years, bad eating habits have been a routine part of the school day. Spending on the food for school dinners can be as low as 37p per child, with money saved by dishing up cheap, processed foods.

The Government's increase in funding has raised this amount to 50p per child in primary schools and 60p in secondary schools.

What else is being done?

The Welsh Assembly has also put extra money on children's plates. In England, a School Food Trust (funded by the Department for Education and Skills and the Lottery Fund) has been set up to work with schools and parents to improve meals. School food is also to become part of the OFSTED inspections.

The additional funding has also been earmarked to provide training and an increase in work hours for school cooks.

Fresh food for school dinners

For school dinner campaigners, the junk food guidelines are certainly a step in the right direction. However, the Soil Association's policy director argues that Government funding still falls short of the 70p per child "needed if reasonable nutritional standards are to be met".

Campaigners are calling for a broader approach to healthy eating that ranges from serving freshly cooked school dinners, using mandatory, high nutritional standards for every meal, to the return of cooking lessons in schools.

Sustain, the alliance for better food and farming, has pulled together 128 organisations, including the British Medical Association, to call for a Children's Food Bill to make food a positive part of a child's education.

Sustain's campaign coordinator, Charlie Powell, says:

"Wherever children turn in everyday life they are bombarded with foods that are unhealthy. Surely every child deserves to have a healthy food environment?"

Cooking lessons

Food education is scattered around the curriculum but pupils are more likely to learn how to design packaging than learn how to make fresh, wholesome food. Food experts believe that this is a missed opportunity: even if parents no longer cook fresh food at home, children can still learn how to cook at school.

"If children can't prepare healthy meals from fresh ingredients we have a self-perpetuating problem"

Sustain's Charlie Powell points out that these children are the parents of tomorrow, who will in turn pass on their attitudes to food on to the next generation. He says: "If children can't prepare healthy meals from fresh ingredients we have a self-perpetuating problem."

Vending machines and tuck shops

Encouragingly, parents and teachers who've managed to get healthy tuck shops are finding that children will go for such foods as fresh fruit if crisps and confectionary are removed.

The new regulations due in 2007 should ascertain whether there is a true postive impact on childrens diets.

What next?

The increased funding for school dinners may make a positive impact, but, at this stage, no one knows whether the increased funding in England will be maintained in future budgets.

One thing that is for certain, though, is that parents matter enormously in this debate, whether they're encouraging healthy eating at home or taking an interest in what's dished up at school.

Updated September 2006 BBC Food

Restaurants

You are in: CatererSearch > Trends & Data > Restaurants

Industry data: Top 20 restaurant groups in 2006

(18 October 2006 13:34)

Pub operator Mitchells & Butlers was the UK's largest restaurant group in 2006 with 799 sites, ahead of the Spirit Group (now part of Punch Taverns) and Ask and PizzaExpress owner Gondola Holdings, which both have more than 500 venues.

These figures are reported in *British Hospitality: Trends and Statistics 2006*, published by the **British Hospitality Association**.

The full report can be bought for £195 (for the printed version) or £145 (for a PDF file). For enquiries or orders, phone 0207 404 7744 or contact **bob.bacon@bha.org.uk**.

Top 20 UK restaurant groups in 2006 (by number of outlets):

	Owner	Number of outlets	Selected brands
1	**Mitchells & Butlers**	799	Harvester, All Bar One, Toby
2	**Spirit Group**	510	Chef & Brewer. Two for One, Miller's
3	**Gondola**	505	**PizzaExpress**, **Ask**, **Zizzi**
4	**The Restaurant Group**	279	**Frankie & Benny's**, **Garfunkels**
5	**Wimpy**	250	Wimpy
6	People's Restaurant Group	235	**Little Chef**
7	**Tragus**	162	Cafe Rouge, Bella Italia
8	**Whitbread**	157	**TGI Friday's**
9	**Greene King**	90	**Hungry Horse**
10	**Nando's**	133	Coffee Republic Deli
11	**Out of Town Restaurant Group**	87	Madisons, Bitz and Pizza, Bradwells
12	**Prezzo**	78	Prezzo, Ultimate Burger
13	Orchid Pubs	76	Jim Thompson's, Country Carvery
14	**Clapham House**	57	**Tootsies**, **Bombay Bicycle Club**
15	**La Tasca**	56	La Tasca
16	**Ponti's**	48	Ponti's, Caffe Alba
17	**Caprice Holdings**	45	**Strada**
18	**Wagamama**	39	Wagamama
19	**Regent Inns**	31	Old Orleans
20	Premium Casual Dining	30	**Loch Fyne**, **Petit Blanc**

Source: Horizons

Top quick-service restaurants 2006

(13 October 2006 16:26)

Yum! was the largest operator of quick-service restaurants in 2006 with 1,304 KFC and Pizza Hut outlets, closely followed by McDonald's with 1,242 venues.

These facts and figures are reported in *British Hospitality: Trends and Statistics 2006*, published by the **British Hospitality Association**.

	Owner	Number of outlets	Selected brands
1	**Yum!**	1,304	**KFC**, **Pizza Hut**
2	**McDonald's**	1,242	McDonald's
3	SSP	706	Upper Crust
4	**Burger King**	634	Burger King
5	**Subway**	565	Subway
6	**Domino's**	380	Domino's
7	**Greggs**	216	Baker's Oven
8	**Baskin Robbins**	153	Baskin Robbins
9	**O'Brien's**	151	O'Brien's
10	**Prêt à Manger**	147	Prêt à Manger
11	**Lyndale Foods**	120	Sayers
12	**Millies Cookies**	117	Millies Cookies
13	**Papa John's**	111	Papa John's
14	Smartfirst	106	**Perfect Pizza**
15	**Benjy's**	74	Benjy's
16	**General Mills**	60	Haagen Dazs

Source: Horizons

Top coffee shop groups 2006

(13 October 2006 18:16)

Starbucks was the largest UK coffee shop operator in 2006 with 506 outlets, followed by Whitbread, Caffè Nero and Marks & Spencer's Café Revive. These facts and figures are reported in *British*

	Owner	Number of outlets	Selected brands
1	**Starbucks**	506	Starbucks
2	**Whitbread**	405	**Costa Coffee**
3	**Caffè Nero**	261	Caffè Nero
4	**Marks & Spencer**	202	**Café Revive**
5	SSP	135	Caffè Ritazza
6	***BB's***	110	BB's
7	**Nestlé**	103	Café Nescafé
8	**Segafredo Zanetti**	94	**Puccino's**
9	**Tchibo**	38	Tchibo
10	**Coffee Republic**	36	Coffee Republic Deli
11	**AMT Coffee**	34	AMT Coffee
12	**Druckers**	33	Druckers Vienna Patisserie
13	**Morelli's**	23	Morelli's
14	**Esquires**	14	Esquire

Source: Horizons

Market Snapshot: US restaurant trends

(05 July 2006 18:07)

Takeaway sandwiches have overtaken burgers and pizza restaurants as the fastest-growing outlets in the USA, according to a new study from research consultancy Horizons.

Its managing director, Peter Backman, looks at what is hot and what is not in US foodservice.

Europe is catching up fast on the US market in many areas, notably in enhancing the efficiency of training processes, ordering practices, supply chain and other systems.

But it still has quite a bit to learn from the USA about the creation of large chains that develop their own growth momentum through economies of marketing scale.

This is particularly relevant right now when, according to US trade body the **National Restaurant Association** (NRA), growth in US foodservice is expected to advance by over 5% in non-inflation adjusted terms this year.

This growth is in spite of rising minimum wage levels in the US labour market, the creep of government legislation and the difficulty of finding suitably qualified, committed staff at all levels.

The market has been growing year-on-year for the best part of 20 years. It's this consistent dynamism which has begun to fuel the launching of new chains and the re-invigoration of established brands.

In Europe, restaurant chains still have not managed to repeat the US pattern of consistent growth and, consequently, the European chain restaurant sector continues to move in stops and starts.

The challenge for European foodservice is how to emulate the US dynamics where burgers gave way to pizzas, which in turn were overtaken by coffee chains, and now subs (the US term for long baguette-type sandwiches that are filled to order for takeaway) are leading the way.

US subs chains have grown noticeably in the USA in the past 12 months, with the Subway brand currently way out in front with more than 20,000 units and annual sales in excess of $7b (£3.8b).

The growth in takeaway sandwiches stems from changing US consumer lifestyles, dawning awareness that burgers and fries do not fit with a healthy lifestyle, public perception that subs are fresh and healthy, and the determination by sandwich operators to catch this changing consumer tide through aggressive new store openings and creative product development.

Food is becoming more fashion driven

Horizons studies global trends in out-of-home eating and it is increasingly apparent that food is becoming a fashion market where constant reinvention is necessary. While European foodservice chains are aware of this fashion element, it's the US chains which are currently leading the way in recognising the speed at which food fashions evolve and reacting quickly to them.

Once a fashion has been established by foodservice innovators, it is being quickly replicated by other companies, including established competitors and new ones.

The result in the US is that a wide choice of a similar offer can be found in the same location. This coincides with a decline in the value of the offer as newer players seek to increase their market share on a lower, price-driven platform.

Trans fats – the so-called "bad" fats – are the main emerging health issue among US restaurant customers.

While organic food and environmental awareness in the whole business of food is an issue in Europe, it has not been one that has concerned the US restaurant chains or its customers.

Obesity seems to be losing its ability to shock the US audience. This is possibly a sign that the obesity warning message is getting through and the foodservice sector is doing something to address the overweight issue. Or perhaps the consumer is less bothered about healthy food choices in out-of-home eating.

US views on Europe

Europe is seen by US foodservice chains as a source of ideas for good food and flavours. But Asia remains the place for totally new ideas – Indian, Chinese, Thai, Japanese and other oriental cuisines are being played with at the moment in the US. Foodservice analysts in the US suspect a breakthrough could come in the next 24 months and the US foodservice sector will take on a distinct Asian aspect.

The majority of US foodservice chains are not currently looking to Europe as a route for expansion.

Europe is perceived as closed and difficult to enter. That's why there are only 12 US-foodservice chains in Europe with more than five outlets. Between them they operate fewer than 14,000 stores (out of 1.5 million popular eating places) with **McDonald's** accounting for over half of those units.

What lies ahead in the USA?

One continuing US development is the growth of a restaurant category named "fast casual". Most commentators and operators agree that this sector exists, but the problem is that no-one seems to be able to agree what it is.

Some US foodservice analysts are now saying it is upscale fast food of better quality. A different view is that it is down-traded restaurant offers where the customer places the order at the counter from a restricted menu range, there are no tablecloths, but the restaurant has lower prices.

The conclusion

Foodservice continues to be a growing and a global market. Where differences exist between developed economies, they are small or can be explained by cultural preferences and different consumer expectations

The US foodservice market is expanding, but Europe appears to be closing the commercial gap. Some in the US feel that US operators and suppliers can learn from Europe – the UK especially which is seen by some as a source of new menu ideas as well as holding some ideas on operational efficiencies.

Restaurant sector overview

(12 May 2006 14:34)

The market
The UK's 26,416 restaurants served 734 million meals last year, up from 721 million in 2004, at a value of £5.27b (or £7.61b when drinks are included), according to the research consultancy Horizons/Foodservice Intelligence.

Consumer spending on eating out in restaurants, pubs and cafes now totals around £12b a year, says researcher KeyNote, but has stayed relatively static since 2003, partly because of concerns over obesity and healthy eating on the fast-food market.

Yet, overall, Britons continue to dine out more often than their European and American counterparts, according to market researcher Datamonitor, buying an average of 633 meals outside the home a year, compared with 614 in the USA, and spending an average of £1,224 a head.

Key players
The biggest player on the UK restaurant scene, according to the British Hospitality Association's latest Trends and Statistics research, is Beefeater, Brewer's Fayre and TGI Friday's owner Whitbread, with some 1,603 outlets.

McDonald's also remains a big presence, with 1,203 outlets, while the Spirit Group's Chef & Brewer brand has 798 outlets and Burger King 724.

Other prominent players include PizzaExpress (386), Wimpy (274), Mitchell & Butler's Harvester brand (263) and the Restaurant Group's Garfunkels and Frankie and Benny's chain, on 253.

But there are also a number of relative newcomers beginning to make their presence felt, including Loch Fyne, on 33 outlets, Wagamama (34), La Tasca and Prezzo, both on 52.

Growth prospects
According to Horizon's Peter Backman, the sector has experienced steady growth since 2002, which shows no sign of faltering.

"There is a long-term trend towards more casual eating out, people are more relaxed. They may go for a meal, then go out somewhere and come back to a different restaurant for the dessert."

Overall, the sector is buoyant at the moment, agrees Trevor Watson of property consultancy Davis Coffer Lyons.

"Trading conditions are good and most operators are doing pretty well. There is nothing out there that is really making the market feel weak," he says. "If an operator is not making money now then they should really be looking at what they are doing."

Last year, the Harden's guide reported that restaurants in the capital were opening at an unprecedented rate, with 142 opening in 2005 and prices in the £50 a head market rising by 5.7%.

One interesting facet is that, while many high-street retailers are reporting belt tightening by consumers, the British love affair with eating out shows no sign of diminishing.

"Eating out has become a much more convenience event that it used to be. Even in the current climate, where spending is under pressure, people do not want to compromise on eating out. They are also getting much more value for their money," says Watson.

The heart of the industry is still, inevitably, in London but other city centres, particularly Leeds, Manchester and Birmingham, are becoming more important as time goes on.

Key trends
The growing interest of private equity and City investors is one of the key talking points within the industry today, say City and industry commentators.

The sector has experienced a frenzy of City activity over the past two years with, among others, Gordon Ramsay, Gondola Holdings (owner of Ask, Zizzi and PizzaExpress), Carluccio's, Clapham House Group, La Tasca, Image Restaurants and Prezzo taking their chances on the markets.

“The weight of private equity money looking to develop or roll out casual dining brands is looking very strong,” explains DCL’s Watson.

But it is important to get such a change in perspective, cautions Backman. “It is important to bear in mind that there are about 20,000 restaurants in the sector but not that many of them are group owned.”

When it comes to property prices, restaurants reported growth of 4.7% last year, according to agent Christie & Co, and finding, and affording, good sites is now a serious issue within the industry.

Another challenge is disabled access, both in terms of customers and employees. Caterer research in 2005 suggested the hospitality sector lost £5b a year by failing to cater for disabled customers.

Age is another factor, with anti-age discrimination legislation coming into force from this autumn, meaning all employers should be re-assessing how they hire and retain people.

Other ongoing challenges are skills shortages, rising costs (including wages), soaring energy bills and consumer demands for healthier, fresher foods putting pressure on margins.

Future prospects

The restaurant trade, like so much of the hospitality industry, is vulnerable to unforeseen shocks, such as terrorist attacks. After the July 2005 bombings in London, shopper numbers (including for restaurants) fell by 12.6% before bouncing back.

This aside, the prospects look good. One possible cloud, cautions Watson, is the demand for scarce sites leading to corner cutting.

“The number of people looking for sites is increasing. The danger is that, when people are hungry for sites they start to compromise on the quality of the sites they take in order to roll out the business, which can end up undermining the brand values and the roll out,” he warns.

Even with the current buoyancy of the market, independent operators in marginal locations will continue to be under pressure from quality corporate operators, he predicts, and, if anything, this is likely to get worse.

“Most towns now have a large number of quality corporate operators within them that make it hard for others to compete,” he warns.

The casual nature of the market will continue but evolve, predicts Backman. Newer chains – brands such as Yo Sushi, Carluccio’s and Gourmet Burger – are already changing the landscape.

Other brands that are also looking likely to increase their foothold include Prezzo (set to open its 100th outlet this year), Loch Fyne, Caffe Uno, Fishworks, Wagamama, Ask, and Nando’s.

But there are also many promising new players coming into the market, such as Leon or Chow Baby, suggests DCL’s Watson.

“There is a whole clutch of operators emerging and from that probably one or two larger players will come about who may merge or acquire other companies,” forecasts Backman.

“Their emergence will probably be to the detriment of older brands such as Beefeater or Harvester that have been, to be honest, in decline for some time now,” he adds.

UK restaurant sector

Year	Outlets	Meals (millions)	Food purchases	Food sales (£m)	Food and drink sales (£m)
2002	25,951	696	1,442	4,942	7,134
2003	25,964	702	1,447	4,965	7,170
2004	26,208	721	1,501	5,144	7,429
2005	26,416	734	1,537	5,270	7,612

*Source: Horizons (**www.horizonsforsuccess.com**)*

Industry data: Employment in the UK hospitality industry

(01 May 2006 14:44)

The hospitality industry in the UK employed more than 1.6 million people in 2004, according to People 1st, the skills council for the hospitality, leisure, travel and tourism sectors.

This was 70,514 fewer than in 2003, with the number of workers holding a main job in hospitality businesses (as opposed to services) falling by 46,631.

The biggest fall-off in staff numbers was seen in the pubs and clubs sector, which lost 29,693 employees.

Staff numbers dropped by 8,734 in the hotel sector, by 7,619 in restaurants, and by 585 in contract catering.

Restaurants remained the biggest hospitality employer, accounting for 490,859 main jobs in the business (or 42% of the total).

("Hospitality services" refers to hospitality occupations within an organisation where the main purpose is not hospitality-related. For example, an in-house cook working in an on-site canteen within a manufacturing company).

Hospitality employment by sector

Total in UK hospitality industry	**1,714,851**	**1,644,337***
Main job in: - hotels - restaurants - pubs, clubs and bars - contract catering	 238,025 498,478 306,147 172,550	 229,291 490,859 276,454 171,965
Total main job in hospitality businesses	**1,215,200**	**1,168,569**
Main job in hospitality services	376,691	357,820
Total main jobs	**1,591,891**	**1,526,388**
Second job in hospitality (all branches)	137,297	117,949

	2001	2002
Main job in: - hotels - restaurants - pubs, clubs and bars - contract catering	 237,720 387,978 248,768 110,720	 279,785 508,483 261,130 192,298
Total main job in hospitality businesses	**985,186**	**1,241,696**
Main job in hospitality services	384,285	304,187
Total main jobs	**1,369,471**	**1,545,883**
Second job in hospitality (all branches)	108,463	121,109
Total in UK hospitality industry	**1,477,934**	**1,666,992***

* individuals with both a main and second job in hospitality are counted only once

Source: *Labour Force Survey, 2004/2005, published by* ***People 1st****.*

Industry data: Leisure trends 1998-2003

(05 July 2004 11:26)

The number of leisure outlets and number of meals served has remained fairly stable between 1998 and 2003.

	Number of outlets	Millions of meals	Food sales (£m)
1998	18,630	533	2,142
1999	18,707	542	2,242
2000	18,632	552	2,305
2001	18,731	539	2,090
2002	18,841	532	2,059
2003	18,869	523	2,002

Note: Leisure outlets comprise: visitor attractions, entertainment (including cinemas and race tracks), clubs (such as health and fitness clubs and sports clubs), events and mobile caterers and onboard travel.

Source: **Horizons for Success**

Fryer tuck is no longer so cheap and cheerful

By Harry Wallop
Last Updated: 12:01am BST 24/10/2006

The UK's 8,500 fish and chip shops are facing a battering from soaring fish and potato prices.

According to the latest figures, released yesterday by the Office for National Statistics, fish has increased in price by 11.1pc in the past 12 months, while potatoes are 12.3pc more expensive.

Mark Todd, who has run the Vinegar Jones chippie in Bowness, Cumbria for the past 14 years, said it was the toughest time he could remember.

"Gas and electric rates have gone up, business rates are so expensive and you can't go and put your prices up enough to cover this," he said.

He has raised the price of a basic fish supper from £4.35 to £4.50, but says this modest increase is not in line with his soaring input costs.

Soaring fish and energy prices, coupled with a dreadful potato harvest will see costs begin to climb

Everything from high oil prices to bird flu have sent prices climbing, while the growing appetite for fish from western economies has meant supply has been unable to keep up with demand.

Consumers went scurrying for alternative sources of protein when bird flu erupted last year, affecting pork and fish prices on the global market.

UK consumers have also started, quite dramatically, to eat more oily fish as a source of Omega 3. This, combined with a desire to eat more fish from more sustainable sources, has started to hit prices.

According to Defra, the value of mackerel landed in the UK shot up 54pc to £47m last year, despite a fall in volumes.

Volumes are likely to continue to fall in many species because of pressure for the European Commission to cut quotas to help the long-term future of fish.

The high cost of oil has exacerbated problems, with fuel costs the second biggest burden for a trawlerman after his wage bill. Some in the industry reckon filling up a fishing boat costs up to £10,000, when a poor catch might only fetch £8,000.

All this has trickled down to the wholesale market, with Billingsgate Market quoting £8 a kilo for cod fillets last week, a 33pc increase on the price a year ago.

Over half the fish we eat in the UK is eaten outside of the home, mostly in fish and chip shops, which have been left floundering. Chippies are also having to contend with one of the worst potato harvests in recent years, which is responsible for the inflation-busting price rises.

Rob Burrow, at the British Potato Council, says: "We've had a very difficult growing season with a very hot July and a very wet August. We're expecting a very low yield this year."

Most potato farmers are just finishing their harvests and some are reporting yields down 20pc.

Ossie Bartolo, the manager of Fryer's Delight in central London, bemoaned conditions and said he couldn't afford to increase prices without alienating customers: "Fish and chips used to be for poor people. It's become so expensive."

Written by MINTEL

Friday, 12 November 2004

British fall hook, line and sinker for fish and chips

Latest research from MINTEL finds that a truly British institution - the local fish and chip shop - ranks as Britain's favourite place to eat. Indeed, in three months alone, as many as half of Britons visited one. This traditional fayre is closely followed by a meal down the local pub, another time-honoured British establishment, which attracts 46% of diners.

Chinese, sushi and noodle bar, restaurants and takeaways rank a close third at 45%, followed by pizza restaurants and takeaways, which entice some 35% of British diners. Surprisingly, this leaves the now almost ubiquitous Indian curry house languishing in fifth place, with only around three in ten (31%) having visited an Indian restaurant or takeaway during this time.

"Although the British are renowned for their penchant for Indian and Chinese takeaways, it is in fact the good old British chippy, which is considered a firm favourite amongst British diners today. The popularity of pubs and fish and chip shops just shows that there is still a real desire to eat British food. Pubs have been at the forefront of reviving and rejuvenating interest in British cuisine. Gastropubs, chain pubs and dedicated pub restaurants, which serve reasonably priced meals, have inherently transformed how the public view pub food today," comments Linda Haden, Senior Catering Analyst at MINTEL.

Despite the trend towards more traditional British eateries, it appears that the British palate is still the most diverse in Europe. Indeed, when it comes to trying ethnic dishes, the British are considerably more adventurous than their continental counterparts with as many as seven in ten (68%) Britons agreeing that they "like foreign food". This compares to just 29% of Spaniards. The French (at 59%) and Germans (at 64%) fail to match British interest.

Who needs an expert?

When it comes to choosing where to eat, British diners reject the food critics, in favour of word of mouth from family and friends. As many as 35% of adults feel the best restaurants they have ever eaten in were recommended by friends and family. Meanwhile, just 8% "trust" food guides and critics, these experts, seemingly, having little influence on Britain's dining decisions.

"It is clear that customer recommendations are the lifeblood of a restaurant. It is fair to say that most people will know the standards their friends and family expect, together with the kind of food and ambience they like, making recommendations from family and friends more relevant. While in many cases it is likely that consumers will have similar tastes to friends and family, it may be that diners feel that their tastes are far removed those of the critics," comments Linda Haden.

A £25 billion pound market and growing

By the end of this year Britain will have spent a staggering £25 billion on eating out, the vast majority of which (£21.9 billion) will be spent in budget and mid-market establishments. The remaining £3.1 billion will have been spent in premium restaurants.

There is little doubt that the trend towards eating out of home continues to boom. Although the share of spend on food for the home (accounting for almost 70% of the total food market) exceeds that spent on eating out, growth in the eating out market continues to rise faster than in-home dining.

"Eating out now plays a major part in British life and is no longer reserved for special occasions. The introduction of widespread quick-service and casual dining brands over the last 20 years has radically altered how Britons eat. Generally, eating out on the spur of the moment, without the need to dress formally, is now a widely accepted norm, particularly amongst younger people. Budget and mid-market operators are certainly well placed to satisfy the current need for informality, and this will undoubtedly continue to boost their trading prospects within an overcrowded eating out market," comments Linda Haden.

Money is no limit for Britain's romancers
On average the British spend over £1250 each on eating out a year, the majority of which (£820) is spent in restaurants, with considerably less (£365) being shelled out in fast food joints. Coffee shops, sandwich bar chains and other cafés account for the remainder of the spend.

The average diner spends around £10 a head on an everyday meal, while those splashing out on special occasions spend around £22. Those opting for a European restaurant are the biggest spenders.

When it comes to treats or celebrations, Britons are willing to spend considerably more than average between £10-29 a head. A substantial number, some 27%, are willing to overstep the £30 mark, with a small proportion (7%) forking out more than £50 a head.

It seems, that when romance is high on the agenda, people are even less concerned about cost, and more than willing to edge over the £20 mark. Some two in five diners (38%) who had romance on their mind opted to pay more than £30 per head on special occasions.

Future feasts
Despite the intense competition, overcapacity and downward price pressures within the eating out industry, both the budget and mid-market sectors are anticipated to remain buoyant. A host of economic and demographic factors will continue to contribute to their prosperity. First and foremost, eating out spend is predicted to rise in the immediate future, with the market poised to touch £31 billion by 2009. As the UK eating habits evolve to emulate those in the US and parts of Europe, an ever greater proportion of income will be spent on eating out and takeaway meals as opposed to in-home dining.

Britain is deserting the Whopper, according to the American fast-food chain Burger King, which is facing an uphill struggle to cope with our new concern for healthy eating.
The world's second-largest hamburger vendor pinpointed its 650 British restaurants as a source of falling sales against a backdrop of strong business almost everywhere else in the world.
Burger King's chief executive, John Chidsey, said the company had to make a $3m (£1.6m) cash injection to "fortify" its British operation against a "challenging operating environment".

In a quarterly earnings statement, Burger King said its global profits leapt by 82% to $40m in the three months to September, aided by new Stacker sandwiches and a discount Value Menu. Its shares jumped 7% on Wall Street.
But it bemoaned its poor performance in Britain, blaming it on "perceptions about obesity and food-borne illness and increased competition from sandwich shops, bakeries and other new restaurants that are diversifying into healthier options in response to nutritional concerns".

Warnings about Britain's looming obesity epidemic have catapulted healthy eating into the headlines in the past year, aided by Jamie Oliver's campaign for healthier school dinners.
Mr Chidsey said the company had made certain concessions - it does not put salt on chips in Britain unless customers requested it. A children's menu includes milk and "grapple" - grapes and apples.
He said the chain had a "have it your way" promise that allowed customers to ask for tailor-made hamburgers with variations such as extra lettuce and tomato.
Burger King's problems are in stark contrast to the fortunes of its larger rival, McDonald's, which said last month its sales in Britain were strong thanks to refurbished restaurants, a new marketing strategy and options such as carrot sticks, apple dips and walnut salads. Burger King has 11,220 outlets, serving more than 11 million people a day.

£5 fish and chips as spud shortage bites

Martin Wainwright
Thursday October 26, 2006
The Guardian

Britain's most popular takeaway meal is facing a double whammy of price rises after weather damage to the potato crop and hikes in the cost of fresh fish.
Hundreds of fish and chip shops have added between 10p and 50p to the price of the traditional meal, with higher charges for gas, electricity and cooking oil adding to the pressure on small outlets.
Fryers in Yorkshire, one of the heartlands of the trade, have seen sacks of potatoes rise to £10 from £4.50, although better crops in early October are now bringing the cost down again.

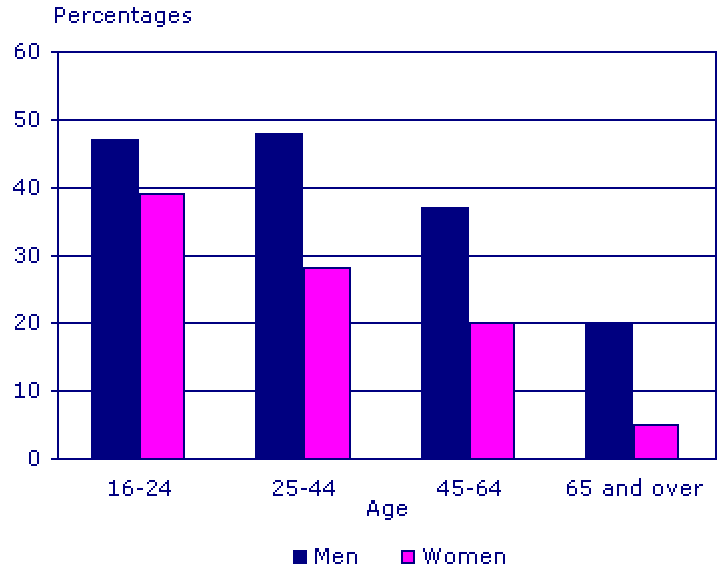
Ann Kirk, general secretary of the National Federation of Fish Fryers, said: "There's been a lot of talk about shortages because of the proposed ban on fishing for cod in the North sea and Irish sea. But most of us already get our supplies from elsewhere."
The 10% average rise in fish prices this year has seen takeaway meals of fish and chips top £5 for the first time in some areas, mostly in the south-east.
Winners of the national Fish and Chip Shop of the Year title, Hodgson's Chippy of Lancaster, have fought the trend, but have still had to add 10p to their £2.30 haddock portions.
"You've to be working the phones all the time now to get the best value," said Martin Crabtree, who runs Kershaw's chippie, at Windhill, Shipley, West Yorkshire. "Fish and taties are both dearer but you get to know a lot of people in the trade when you're in this business. Mind you, I think prices probably will have to go up. We've held prices this far, but it'll be hard to stick with it."

Paul O'Sullivan, who was busy spooning out Kershaw's 25p "Dab of peas or curry on your butty" deal yesterday, said: "I've heard of other chip shops putting prices up but we're holding at £2.90 [for a fish and chips portion] and we're not short of custom."

Booming business may help to cushion the trade from further price rises, with sales rising beyond 300m portions this year. The country has more than 8,500 outlets and fish and chips is holding its lead in the takeaway league table against rivals.

DRINK

Drinking
Men drink more than women



Adults exceeding recommended daily benchmarks of alcohol on at least one day during the last week: Great Britain, 2004/05

In 2004/05, 73 per cent of men and 58 per cent of women in Great Britain had had an alcoholic drink on at least one day during the previous week.

In 1995 the government changed its guidelines on sensible drinking from weekly to daily benchmarks. Its advice is based on daily benchmarks of between three and four units per day for men and two to three units per day for women.

In 2004/05 men were more likely than women to exceed these benchmarks on at least one day during the previous week - 39 per cent of men compared with 22 per cent of women. Between 1998 and 2004/05 there was little change in the proportions of men and women exceeding the daily benchmarks.

Younger people were more likely than older people to exceed the daily benchmarks. Just under half (47 per cent) of men aged 16 to 24 had drunk more than four units on at least one day during the previous week compared with 20 per cent of men aged 65 and over. Among women, 39 per cent of those aged 16 to 24 had exceeded three units on at least one day compared with only 5 per cent of those aged 65 and over.

Heavy drinking - defined as over eight units a day for men and six units a day for women on at least one day during the previous week - was more common among men than women. In 2004/05, 22 per cent of men compared with 9 per cent of women had exceeded these amounts. Heavy drinking among both men and women has shown little change between 1998 and 2004/05.

Heavy drinking was also more common among young people: 32 per cent of men and 24 per cent of women aged 16 to 24 had drunk heavily on at least one day during the previous week.

Among those aged 65 and over, these proportions were just 7 per cent and 1 per cent respectively.

Source: General Household Survey, 2004/05

Notes:
Obtaining reliable information about drinking behaviour is difficult. Surveys consistently record lower levels of consumption than would be expected from data on alcohol sales. This is partly because people may under-estimate how much alcohol they consume.

Surveys derive alcohol consumption estimates from assumptions about the alcohol content of drinks, combined with information about the volume drunk. Over the last twenty years new types of alcoholic drink have been introduced, alcohol content of some drinks has increased and they are now sold in more variable quantities. Surveys try to keep pace with these changes but quite often develop independently. They may use different assumptions in estimating alcohol consumption and this may affect the comparability of results between surveys.

Published on 15 December 2005 at 9:30 am

Beer, Cider Lager Market, UK keynote 2006

Beer is the most popular alcoholic drink in the UK, accounting for 48% of total spending on alcoholic drinks. The UK beer market was worth £20.14bn in 2005, 16.1% more than in 2001. The market divides into lagers (with 68% of the market value by 2005) and the domestic dark beers, such as ale and stout.

Pricing competition has intensified in the take-home channels for beer, whereas pubs and clubs, responsible for 84.2% of the market value, have been able to increase prices regularly.

Market share concentration is increasing, not only by brewer, but by brand, with giant brands like Stella Artois and Carling gaining share at the expense of lesser brands. Scottish & Newcastle (S&N) is the market leader, with 27% of UK beer sales, but the next three largest companies are all foreign companies: Coors of the US (owner of Carling lager), InBev of Belgium (Stella Artois brand), and Carlsberg of Denmark. However, globalisation works both ways, and S&N is itself a major multinational, as is UK-based Diageo (producer of Guinness stout).

The regional brewers remain important as guardians of British brewing heritage through thousands of local pubs, and `real ales' remain widely available.

The UK's per capita consumption of beer is not unduly high, despite media impressions of a binge-drinking culture, and the total volume of consumption is fairly stable over the long term. However, the trend continues from standard-strength beers to the more expensive, premium beers, helping the market value to grow.

The maturity of the market means that future changes are unlikely to be dramatic, although the new licensing regime for retailing alcohol — since 2005 in England and Wales — could influence the pattern of drinking significantly. On the supply side, governments are unlikely to allow further mergers between the major players

UK brewing industry June 2006

The UK brewing industry developed along a unique structure, based on the thousands of public houses (pubs) and other drinks outlets that were `tied' to brewers. Although this system of vertical integration remains in place among many regional brewers, national groups came under official attack in the 1990s and, by 2000, most of the groups had been broken up.

Foreign multinationals have stepped in to dominate UK brewing, including Interbrew (from Belgium), Coors (from the US) and Carlsberg (from Denmark). Together, these companies account for more than 50% of the UK market, although the overall market leader is a UK-based company (Scottish & Newcastle, with a 27% share of the market). Scottish & Newcastle and Diageo, owner of Guinness, are UK-based multinationals in their own right, demonstrating the trend towards globalisation in world brewing and drinks production.

Consolidation of market shares, both nationally and globally, stems from the maturity of the beer markets in most countries. In the UK, beer demand is no better than static in real terms. Demand levels are threatened by healthy lifestyle messages, as well as by competition from wine and other drinks. The national market is shifting towards a smaller number of `flagship' brands, such as Carling, the top `standard' strength lager; Stella Artois, the leading premium lager; and John Smith's, the top ale. However, beer enthusiasts are still able to find wide ranges of premium or regional ales, such as Old Speckled Hen or London Pride, in both pubs and on supermarket shelves.

Beer distribution has also changed in the 2000s, with supermarkets forcing prices downwards and encouraging take-home drinking. However, pubs and nightclubs, with their higher prices, still account for more than 75% of beer distribution by value. The loosening of the old `tied houses' system means that most pubs are no longer linked to a brewer, although they tend to draw beer supplies from a central pub company (`pubco') or regional brewer.

Although prospects for future growth in the UK beer market are not optimistic (given the dietary and social pressures of the 2000s), the trade is fighting back in 2005 with a major campaign called `Beautiful Beer'. Multinational brewers are also targeting less mature markets, such as the People's Republic of China and Russia, where potential for growth remains.

UK Drinks market keynote 2006

Key Note estimates that the UK drinks market was worth £52.62bn at retail selling prices (rsp) in 2005. This figure is equivalent to around 7% of total consumer expenditure during the year.

Alcoholic drinks accounted for an estimated 78% of the market in 2005, with soft drinks taking 17.6% and hot drinks the remaining 4.4%. Beer is the leading alcoholic drink, worth nearly half the total expenditure on alcohol, but wine is the fastest-growing major category of the alcohol market. The diverse range of other alcoholic drinks includes dark and white spirits, cider, fortified wines, and ready-to-drink (RTD) spirits, such as Smirnoff Ice.

Fashion influences demand for drinks among young people. Sales of RTD spirits are currently waning, with cider once again growing in popularity, but vodka is increasingly the alcoholic drink of choice for young consumers.

Most drinks sectors feature one or two dominant brands, such as Smirnoff, Strongbow, Coca-Cola and Nescafé. These brands are usually backed by huge multinational companies operating in globalised drinks markets. The UK's largest indigenous companies, such as Diageo (spirits) and Scottish & Newcastle (beer and cider), have themselves become multinationals.

Retailing of alcohol remains dominated by pubs, which are experiencing a traumatic period in the early 2000s, with new licensing laws, action against public drunkenness and, in the near future, a ban on smoking that will drive away some drinkers. Therefore, Key Note forecasts very slow growth for the drinks market as a whole between 2006 and 2010. The problems for the licensed trade are likely to combine with health concerns, price wars between supermarkets and a period of lower consumer confidence.

Despite these negative factors, the drinks market's diversity remains its strength. Research conducted by Key Note for this report found that ten separate types of drink were considered `favourites' by at least a quarter of adults: white wine, red wine, lager, bitter or ale, vodka and whisky among the alcoholic drinks, together with fruit juice, mineral water and both fizzy and still soft drinks.

UK Drinks Market keynote 2005 Feb

The market for the main alcoholic and non-alcoholic drinks bought by UK consumers was worth an estimated £51.85bn in 2004. Spending on drinks accounted for 7.2% of all consumer spending in the same year.

The drinks consumed in the UK include many indigenous products, such as Scotch whisky, ales and other `dark beers', squash (concentrated soft drinks) and the UK's most traditional thirst-quencher, tea. However, drinks from a variety of foreign origins are also well established in the British diet. There has been a major trend towards drinking wine with meals or as an alternative to beer or spirits, and demand for bottled water continues to increase. Another important long-term trend is taking place in the beer market, where lager (the style of beer favoured almost everywhere else in the world) is continuing to erode the share held by the UK's dark beers.

Young people are increasingly choosing fashionable new drinks, rather than traditional ones, when they start drinking alcohol. However, products come and go in this market. For example, sales of ready-to-drink (RTD) spirits, such as Smirnoff Ice and Bacardi Breezer, are currently declining after a 5-year boom period. Another outstanding sector among young drinkers is the `energy' soft drinks, such as Red Bull and Lucozade Sport.

In terms of distribution, demand for drinks is met by numerous outlets, with a basic split between take-home outlets and the on-trade/catering sector (pubs, restaurants, bars, etc.) In the on-trade, which accounts for over 70% of the value of alcohol sales, attention is currently focused on the problem of binge drinking and the impending relaxation of the licensing laws in 2005. The take-home market features price wars among the grocery multiples, with discounts for bulk purchasing (two-for-the-price-of-one offers, etc.) making it difficult for off-licences to survive. The smaller retailers do, however, offer convenience and serve the substantial impulse market for drinks.

Most of the leading drinks brands now come from massive multinational groups, which have extended themselves so far in certain sectors that the regulatory authorities are unlikely to allow further major mergers in the future. Examples include the two US cola giants, Coca-Cola and PepsiCo. European companies with a stake in the UK include InBev of Belgium (the owner of Stella Artois, the UK's top beer brand) and Pernod Ricard of France (the owner of whisky distilleries and the distributor of Jacob's Creek, a popular branded wine). The UK is itself home to several drinks companies with international operations, including Diageo (spirits, wine and beer), Scottish & Newcastle (beer and cider), Allied Domecq (wines and spirits), Cadbury Schweppes (soft drinks) and Unilever (tea).

Regulations on market share will ensure that the structure of brand ownership remains fairly steady in the future, and indeed this will reflect trends in these mainly saturated markets. Key Note forecasts very slow growth at current prices for the total drinks market between 2005 and 2009. Wine will fare best, along with soft drinks, while beer and hot drinks are among the sectors that are likely to contract in size.

off-trade spirits, keynote August 2004

After some decline in the mid-1990s, the off-trade spirits sector has performed well in recent years, seeing growth of 15.1% by volume and 11.2% by value between 1999 and 2003. This contrasts with a decline of around 11% by volume in global spirits sales over the same period.

During 2003, the off-trade spirits market in the UK increased by 3.7% and 3.4% by volume and value, respectively, compared with the previous year. Growth continues to be driven by those products which have a strong appeal to younger drinkers. Vodka sales grew substantially by volume between 1999 and 2003, while bourbon sales also sustained healthy growth, due to the popularity of Jack Daniel's. Sales of cream liqueurs also grew strongly, albeit from a small base, primarily due to the launch by Allied Domecq of its Tia Lusso brand in 2002. Traditional products, such as scotch whisky variants, continued to decline due to the perception of them as being old fashioned. Nevertheless, overall growth within the take-home alcoholic drinks sector is being driven, to some extent, by other off-trade products, such as beer and wine.

The higher rate of volume than value growth has been attributed to high-street price wars, a problem compounded for spirits producers by the low frequency of repeat purchases. Christmas has traditionally been a period of heavy discounting, a time that is particularly important for sales of certain types of spirits, such as liqueurs. As much as three-quarters of all brands of blended scotch sold in the UK are sold on promotion; the figure is slightly less for white spirits. This reflects the power of a small number of grocery multiples within the off-trade.

At present, however, there are three basic strata of spirits in the UK off-trade. At the bottom are the tertiary brands or `cheapest-on-display' lines, followed by own label and, above that, the more premium, mainstream brands. Cheaper brands have pushed up the image of own label, which has become a huge market in spirits. In the premium sector, however — where buying for gifts is important, especially with single malts — people are reluctant to purchase own-label brands.

Growing consolidation has also occurred as a result of mergers and acquisitions, such as the merger of Grand Metropolitan and Guinness in 1997, ultimately resulting in the creation of Diageo and that company's subsequent purchase of certain Seagrams brands in 2000, as well as the creation of major marketing and distribution companies such as Maxxium Worldwide and First Drinks Brands. Companies such as Allied Domecq have become more focused on wines and spirits, thereby increasing their influence in these areas.

A relatively small number of brands account for a significant proportion of sales. In 2003, the top ten brands made up nearly a third of total off-trade sales in value terms. Private label is also an important player — especially in gin, vodka and French grape brandy.

These companies have managed to maintain their significant presence by huge marketing support for their brands, as well as promoting wider usage occasions for them. Some suppliers have sought to capitalise on what they see as the untapped opportunity of ready-to-drink (RTD) cocktails. Targeting certain key audiences, such as youngsters and upwardly mobile women in their mid- to late-20s, has increasingly been seen as vital in securing a higher rate of market growth. This has been particularly successful in promoting sales growth of vodka.

Whisky is the largest sector, amounting to 59.8 million litres in 2003, a 1.5% drop on the previous year due to lower sales of blended whiskies. Single malts and imported whiskies continue to experience some growth. Independent whisky distillers in Scotland have had to reassess their strategies in light of the power of the multinationals — which account for between 65% and 70% of the global scotch market in volume terms.

Increased demand for premium products has been responsible for some growth in certain spirits categories, notably vodka.

Greater segmentation between premium and standard brands has injected some growth into off-trade gin sales following several years of business being static at best. The wider selection of gin brands in the on-trade has gradually made its impact felt in the take-home sector.

The impact of on-trade outlets has also influenced sales growth for a number of other white spirits and tequila. In the rum segment, although premium products have become more popular, there has been little overall growth. White rum accounts for two-thirds of off-trade rum sales and has been the main source of any growth that has occurred.

Liqueurs and specialities represent the single largest source of growth in the UK off-trade spirits market. Sales of other brown spirits, such as brandy and cognac, have remained static. This has been partly due to their old-fashioned image and to the increased popularity of wine as an aperitif drink.

premium lagers, beers and cider, keynote Dec 2004

The rise of premium brands within the broader markets for beers and ciders has been a feature of the UK market for alcoholic beverages for nearly 20 years, dating back to the launches of numerous premium lagers in the 1980s. It is a trend that reflects the adaptation of UK drinkers to a more international style of drinking — choosing lagers and ciders with quality ingredients and a higher alcohol content than the UK's traditional ales and ciders.

In 2003, the market for premium drinks was valued by Key Note to be worth £13.8bn, representing 69% of the total market for lagers, beers and ciders. This share has already risen from under 60% in the late 1990s, and is forecast to reach nearly 80% by 2008. Many standard-strength brands are struggling to survive, as consumer sophistication favours the premium brands, which are usually stronger in alcohol as well as being promoted on a quality platform. (Higher rates of taxation on the stronger drinks makes it inevitable that they carry a higher price-tag.)

Industry changes are contributing to the growth of premium brands, particularly in regard to lagers, where five brewers now account for over 90% of the UK market. Their enormous marketing budgets are concentrated on flagship brands such as Stella Artois (InBev, formerly known as Interbrew), Budweiser (Anheuser-Busch), Carlsberg Export, Heineken and Kronenbourg (Scottish & Newcastle PLC). These are all foreign brands of lager, although Scottish & Newcastle PLC owns Kronenbourg, originally from France.

Scottish & Newcastle PLC, the UK's largest brewer, added further to industry concentration in 2003 when it purchased Bulmers, the UK's top cider maker, with a market share of over 60%.

In contrast to the contracting number of major brands involved in premium lager and cider production, is the expanding distribution of premium beers, particularly the real ales from regional brewers such as Greene King PLC (Old Speckled Hen, Abbot Ale) and Fuller's (London Pride). These premium real ales will help to sustain interest in traditional brewing.

Cider is forecast to remain a cyclical market, and premium ciders — along with some premium lagers and beers — could benefit in the next few years from a consumer move away from the novelties popular during the early 2000s, such as ready-to-drink cocktails and `shots'.

Public houses April 2006 keynote

Public houses went into 2006 anticipating more major changes in their trading, with bans on smoking adding to the disruption caused by the new Licensing Act in 2005. Devolution means that Scottish pubs were entirely non-smoking from 27th March 2006, while the debate in England continues over whether to ban smoking selectively (e.g. only in pubs serving meals). Legislation is being formulated in 2006 which will ban smoking in pubs in England, Wales and Northern Ireland during 2007.

In the UK, turnover for public houses grew only modestly (by 14.6%) in the 5 years to 2005, reaching an estimated £16.33bn at retail selling prices (rsp). Competition from cheap take-home drinks is fierce and the pub's strongest element has been their foodservice. As a share of typical pub turnover, food has been rising for many years, accounting for a forecast 23% in 2006 — double the share it held in the early 1990s. However, the number of pubs has started to decline gradually, falling just below the peak of 60,000 in 2005.

Although this gradual decline is likely to continue in the later years of the decade, research commissioned exclusively for Key Note in 2006 confirmed the enduring nature of the pub as a social institution. In January 2006, two-thirds of adults said that they meet friends and eat meals in pubs, and nearly as many agreed that they use pubs for family occasions or celebrations.

The well-publicised right for pubs to stay open for 24 hours a day became reality in England in November 2005, but very few took up this option and the media exaggerated the negative impact on town-centre disorder. Of more significance was the continuing change of ultimate ownership for thousands of pubs. The biggest takeover of the year saw Punch Taverns buying Spirit Group to overtake Enterprise Inns in the pub league table. The two leaders now have more than 18,000 pubs between them, or nearly a third of the national total.

If the smoking ban experience in the Republic of Ireland is replicated in the UK, publicans will lose some trade in the aftermath of the ban. However, the impact of a `clean air' policy is likely to be offset by other factors that affect the pub trade: consumer confidence, the growth of eating out and entertainment in pubs, the weather during the year and even sports events, such as the World Cup 2006.

Public houses April 2005 keynote

Key Note estimates that, in 2004, the total UK public houses market was worth £15.25bn at current prices, a rise of 1.7% on 2003.

The British pub has never had a higher media profile than in 2005, a year which has brought the long-awaited change in licensing laws. In addition, there is a focus on alcohol-related violence and the threat, or promise, of legislation that could outlaw smoking in public houses.

Between February and November 2005, all pubs in England and Wales must take out new publicans' licences which will allow them (if they apply to do so) to stay open for up to 24 hours. (Scotland and Northern Ireland are still reviewing their own licensing laws.) Extended drinking hours have been the focus of exaggerated media attention but, in practice, the option of longer opening hours is of no interest to the majority of the UK's 60,000 pubs.

Binge drinking and underage drinking in town centres have brought on this unwelcome media attention. However, underlying trends among the majority of public houses and their customers are away from `session drinking' and towards a more civilised use of the pub, including the rise of the pub-restaurant. Food now accounts for 20.3% of the typical public house's turnover, which has increased from 7.1% in 1988. The new licensing laws could have much less of an effect on pubs than the proposed ban on smoking, which could provide another boost for the `food pub'. Exclusive consumer research conducted for this report found that 39% of adults would like to see a complete smoking ban, whereas only 18% would like later opening hours.

Ownership of public houses is the other area of major change. Brewers' tied estates of pubs once predominated, but laws restricting this traditional system of vertical integration mean that brewers now control only 14% of the total number of pubs. The remainder includes `free houses', although the major owner is now the multiple `pubco', which leases out its pubs to individual publicans. Enterprise Inns is the largest of these, followed by Punch Taverns, and both are still acquisitive. However, these companies' leased pubs tend to be fairly small and, by scale of turnover, the groups of managed houses are more significant. These are led by Spirit, Mitchells & Butlers, and the influential JD Wetherspoon.

Future prospects for public houses depend on the impact of the new licensing and smoking laws, but growth is much more modest than the media coverage of binge drinking implies. Key Note estimates that, in 2004, the value of the UK public houses market was just 5.9% higher than in 2000. The uncertainties of the next 5 years are likely to restrict the growth rate even further and Key Note forecasts that the market will rise by 5% between 2005 and 2009.

soft drinks keynote May 2006

As a whole, the UK market for soft drinks is large and mature, and Key Note estimates that it was worth £9.18bn at retail selling prices (rsp) in 2005, a rise of 3.1% on 2004. Within this market, carbonated soft drinks were worth an estimated £5.1bn at rsp, and concentrated soft drinks were worth an estimated £600m at rsp. Both of these types of soft drink have lost share of the total market, in which fruit juices, fruit-based drinks and bottled water have shown the strongest growth in recent years.

The problem for carbonates and concentrates, or `fizzy pop' and `squash', is that they do not carry the healthy-drinking message that consumers associate with water or pure juice. However, both categories are backed by large, innovative companies — including Coca-Cola and PepsiCo — and these suppliers continue to produce attractive `line extensions' with a healthy and exciting appeal, particularly to young people. Examples of these extensions are Diet Coke with Lime, Pepsi Max Twist, Ribena Really Light and Robinsons Summer Fruits.

Coca-Cola, the world's largest consumer brand, is sold in the UK by Coca-Cola Enterprises Ltd, which also markets leading fruit carbonates such as Fanta and Sprite, mixers such as Schweppes and several other drinks categories. (A peculiarity of the UK market is that the largest indigenous soft drinks company, Cadbury Schweppes, has not competed since 1997, under a territorial agreement with Coca-Cola.) Second to Coca-Cola Enterprises is Britvic Soft Drinks Ltd, partly because it markets the PepsiCo range, but also because it has many strong indigenous brands, such as Tango (fruit carbonate) and Robinsons (the leading squash brand).

Within carbonates, the `energy' category has shown strong growth, led by Lucozade and Red Bull. Like many modern brands, Lucozade and Red Bull are carefully targeted as `functional' drinks — for sports participants or `clubbers' — and the targeting of adults has become widespread as more people consume soft drinks instead of tea, coffee or alcohol.

Future growth will be more difficult to achieve for carbonates and concentrates, but there is always room for innovation as a result of the power of the multinationals, as well as the sheer number of distribution channels. The market for take-home drinks is driven by the powerful multiple grocers, with their vast aisles of drinks, and the many catering and `impulse' outlets for carbonates, which include pubs, fast-food restaurants, petrol stations and vending machines in leisure venues.

Wine keynote October 2006

The wine market was worth £10.28bn in 2005, representing a quarter (24.6%) of spending on alcohol in the UK. This share increases gradually, but steadily, as British consumer tastes shift away from beer and spirits towards a more cosmopolitan model of drinking.

Almost all wine in the UK is imported and this makes for a fiercely competitive marketplace. Every major wine-producing country competes in the UK market, although the Old World countries — led by France — have struggled to keep up with New World exporters — led by Australia. The Australian share of wine imports doubled between 1996 and 2006, while French imports slipped from a third to a fifth of the market.

Clear branding and the use of `varietal' grape names (e.g. Merlot or Pinot Gris) has contributed to the success of the New World, whereas Old World supplies are still fragmented by traditional names based on region, producer or estate.

Australia contributes leading brands such as Hardys and Jacob's Creek, while the US — another country with a rising share of the UK market — offers familiar brands such as Gallo, Blossom Hill and Fetzer. However, ownership of these brands crosses frontiers, so that Blossom Hill and Piat D'Or (a French brand) are owned by Diageo, a UK company, while Constellation Brands Inc, now the world's largest wine company, has wines from the US, Australia and South Africa.

Retailing of wine is split between the off-trade (or take-home) and the on-trade (pubs and restaurants) and both distribution sectors have improved their wine offers as the typical drinker becomes more knowledgeable. Take-home is dominated by multiple grocers, putting pressure on off licences, while eating out has driven the growth of on-trade wine in both pubs and restaurants.

Key Note predicts that growth will ease off in the remainder of the decade, but that wine will increasingly outsell other alcoholic drinks. The challenge for the global industry is to ensure that supply does not exceed demand, forcing down wine prices.

Industry data: Top pub groups in the UK

(18 October 2006 14:30)

Punch Taverns regained its position as the UK's leading pub operator in 2006 after bumping up its numbers to 9,271 following its re-acquisition of the Spirit Group.

The next largest groups were Enterprise Inns, Wolverhampton & Dudley, and Greene King.

These figures are reported in *British Hospitality: Trends and Statistics 2006*, published by the **British Hospitality Association**.

Top pub groups in the UK, 2006

	Owner	Number of outlets	Selected brands
1	**Punch Taverns**	9,271	
2	**Enterprise Inns**	8,652	
3	**Wolverhampton & Dudley**	2,544	Pitcher & Piano
4	**Greene King**	1,512	
5	**Mitchells & Butlers**	1,389	Ember, Scream, O'Neills
6	**Admiral Taverns**	1,214	
7	Wellington Pub Co	851	
8	**London & Edinburgh Inns***	795	
9	**Pubfolio**	782	
10	**JD Wetherspoon**	646	
11	**Trust Inns**	506	
12	**Daniel Thwaites**	424	
13	**Laurel Pub Company**	401	Yates', Hogshead
14	**Frederic Robinson**	394	
15	**Shepherd Neame**	375	

Source: Horizons

Industry data: Turnover of UK pub industry

(01 August 2006 17:05)

Total UK pub turnover is forecast to grow by 2% in 2006 to a five-year peak of £16.2b, according to the latest market report by Market & Business Development (MBD).

The *UK Public Houses Market Development*

Turnover of public houses in the UK

Year	Turnover	% change
2001	£14.5b	-1%
2002	£15b	+4%
2003	£15.3	+2%
2004	£15.5b	+1%
2005	£15.8b	+2%
2006	£16.2b	+2%

Source: Figures are based on data from the British Beer and Pub Association and Office of National Statistics, plus MBD and trade estimates.

Industry data: Turnover of UK pubs by product

(01 August 2006 16:58)

Beer has accounted for the majority of sales through public houses since 2001 and is expected to account for 43% (nearly £7b) of the forecast £16.2b total pub turnover in 2006, according to the latest market report by Market & Business Development (MBD).

Meals represent the second biggest stream of income for pubs, and have represented 21% of total turnover since 2002. Sales are forecast to hit £3.44m in 2006.were worth

The *UK Public Houses Market Development* report is compiled annually by **Market & Business Development.** It costs £550 for a single report or £660 for four quarterly reports.

Turnover of public houses in the UK, by product

Product	2001	2002	2003
Beer	£6.3b	£6.5b	£6.62b
Spirits & liqueurs	£1.36b	£1.34b	£1.32b
Wines & ciders	£810m	£788m	£812m
Meals	£2.93b	£3.2b	£3.25b

Product	2004	2005	2006
Beer	£6.72b	£6.84b	£6.99b
Spirits & liqueurs	£1.34b	£1.36b	£1.38b
Wines & ciders	£823m	£838m	£867m
Meals	£3.3b	£3.36b	£3.44b
Accommodation	£1.02b	£1.04b	£1.07b
Soft drinks & bag snacks	£1.77b	£1.79b	£1.84b
Other*	£564m	£574m	£590m
Total	**£15.5b**	**£15.8b**	**£16.2b**

* **Other** includes cigarettes and gaming machines

Source: MBD and trade estimates

Industry data: Number of pubs in the UK

(01 August 2006 16:30)

The total number of public houses in the UK is forecast to grow by 1% in 2006 to 60,331 outlets, according to the latest market report by Market & Business Development (MBD).

Pub numbers have increased in each year since 2003.

The decline in 2002 is believed to stem from a number of outstanding renewals caused by late applications.

The *UK Public Houses Market Development* report is compiled annually by **Market & Business Development**. It costs £550 for a single report or £660 for four quarterly reports.

Number of public houses in the UK

Year	Number	% change
2001	59,558	negligible
2002	57,965	-3%
2003	58,788	+1%
2004	59,673	+2%
2005	59,912	negligible
2006	60,331	+1%

Source: MBD analysis of data from the British Beer and Pub Association (BBPA) and trade estimates

Number of public houses in England and Wales

Year	Number	% change
2001	52,832	negligible
2002	51,415	-3%
2003	52,145	+1%
2004	52,969	+2%
2005	53,161	negligible
2006	53,552	+1

Source: MBD and trade estimates

Number of public houses in Scotland

Year	Number	% change
2001	5,084	negligible
2002	5,082	negligible
2003	5,122	+1%
2004	5,178	+1%
2005	5,214	+1%
2006	5,237	negligible

Source: MBD analysis of BBPA data and trade estimates

Number of public houses in Northern Ireland

Year	Number	% change
2001	1,646	negligible
2002	1,468	-11%
2003	1,521	+4%
2004	1,526	negligible
2005	1,537	+1%
2006	1,542	negligible

Source: MBD analysis of Northern Ireland Department of Health and Social Services and BBPA data

Industry data:Type of ownership of pubs in the UK

(01 August 2006 15:52)

More than half the 60,331 pubs in the UK are owned by pub companies with just 15% remaining in the hands of brewing companies, according to the latest market report by Market & Business Development (MBD).

Nearly one-third of UK pubs are independently-owned.

The report predicts that the drift from managed to tenanted pubs will continue in 2006, when 71% of brewery-owned pubs and 74% of pub company-owned units will be tenancies.

It forecasts a 1% decline in the number of pub-company operated houses in 2006 to a five-year low of 31,400.

The *UK Public Houses Market Development* report is compiled annually by **Market & Business Development**. It costs £550 for a single report or £660 for four quarterly reports.

The tables below include some hotels and other licences with full licences and are based on MBD analysis of data from the British Beer and Pub Association and trade estimates.

NUMBER OF BREWERY, PUB COMPANY AND INDEPENDENTLY-OWNED PUBS

Independently-owned	**19,073**	**19,212**	**19,731**
% of total	32%	32%	33%
Total	**59,673**	**59,912**	**60,331**
Pub-company owned	**31,600**	**31,500**	**32,500**
% of total	53%	54%	55%
Independently-owned	**17,858**	**16,665**	**17,988**
% of total	30%	29%	31%
Total	**59,558**	**57,965**	**58,788**
Year	**2004**	**2005**	**2006**
Brewery-owned	**8,900**	**9,100**	**9,200**
% of total	15%	15%	15%
Pub-company owned	**31,700**	**31,600**	**31,400**
% of total	53%	53%	52%

Pub company-owned pubs refers to ownership of 30 or more outlets
Independent pubs refers to ownership of fewer than 30 outlets. Independent pubs are free-of-tie.

NUMBER OF BREWERY-OWNED PUBS IN THE UK, BY TYPE OF

OWNERSHIP

Year	2001	2002	2003
Managed	**4,400**	**4,000**	**2,500**
% of total	44%	41%	30%
Tenanted	**5,700**	**5,800**	**5,800**
%of total	56%	59%	70%
Total	**10,100**	**9,800**	**8,300**
	2004	**2005**	**2006**
Managed	**2,700**	**2,700**	**2,700**
% of total	30%	30%	29%
Tenanted	**6,200**	**6,400**	**6,500**
% of total	70%	70%	71%
Total	**8,900**	**9,100**	**9,200**

Premises owned by independent pub companies are excluded

NUNBER OF PUB COMPANY-OWNED PUBS IN THE UK, BY TYPE OF OWNERSHIP

Year	2001	2002	2003
Managed	**8,300**	**7,700**	**8,800**
% of total	26%	24%	27%
Tenanted	**23,300**	**23,800**	**23,700**
%of total	74%	76%	73%
Total	**31,600**	**31,500**	**32,500**
	2004	**2005**	**2006**
Managed	**8,000**	**8,100**	**8,100**
% of total	25%	26%	26%
Tenanted	**23,700**	**23,500**	**23,300**
% of total	75%	74%	74%
Total	**31,700**	**31,600**	**31,400**

Premises owned by independent pub companies are excluded

Source: CatererSearch

Market snapshot: Pub food

(07 June 2006 11:27)

The market
Food is increasingly big business for British pubs. Last year pubs served nearly 1.1 billion meals, compared with the 642 million served in restaurants, according to the **British Hospitality Association** (BHA).

The **British Beer & Pub Association** (BBPA) has estimated that, in the past 10 years food sales in the UK's 30,000 managed pubs have risen by 165%, and even faster in its 30,000 smaller tenanted pubs. Some 80% of all British pubs now offer food, compared with about half in the mid-1990s, with the number of pub diners now outstripping the number of pub drinkers.

Putting a value to this market is somewhat trickier. The BHA estimates that, in the profit and cost sector, pub food sales are worth £3.47b. Mintel, in research published in 2004 and not yet repeated, estimated the market to be worth some £6b, with the average pub now getting more than 25% of its turnover from meals.

Growth prospects

Demand for quality pub food is continuing and, if anything, growing, suggests Mike Coughtrey, head of pubs and restaurants at accountancy firm KPMG.

“A pub that is just selling beer and has no other income stream is a dangerous position to be in,” he says.

Food sales will remain an important part of the pub revenue stream, agrees Mark Hastings of the BBPA.

“Pubs now serve more food than restaurants in the UK and that market is growing dramatically. Pubs are no longer just places where people go to have a drink, they have become a much broader entertainment,” he explains.

There are a number of factors behind this continuing growth, including the rise of the gastropub, which has gone a long way towards helping the market shake off its image of microwaved pies, burgers and chips.

Last year, for instance, Egon Ronay said the gastropub now surpassed French bistros in both culinary and service standards, with Michelin-starred The Star Inn at Harome in Yorkshire topping his list.

In fact, the only part of the pubs’ market experiencing real structural growth is eating out, says Greg Feehely, leisure analyst at Altium Securities.

The ban in England on smoking in all public places, including pubs, from next year is likely to fuel demand for food even further.

Earlier this year, for instance, **Laurel Pub Company** chief executive Julian Sargeson said the smoking ban could be a catalyst to help push food sales as a percentage of turnover from the teens to about 20% or higher.

Key trends

The gradual blurring of the line between pubs and restaurants when it comes to food is perhaps the biggest change experienced by the market over the past decade, with the inexorable rise of the urban food-based pub a key element of this, says Which? Pub Guide editor Andrew Turvil.

“That has been something that has been on the rampage for some time now. When gastro-pubs first came along there were not many outside London and a few other big centres.

“But now they have spread into provincial towns around the UK and are becoming real rivals to chain restaurants,” he adds.

Yet, despite the drift to more table service within pubs, what continues to distinguish the market from the restaurant market is its casualness and informality, he argues.

There is also an increasing recognition that good pub food does not necessarily need to be complex and expensive. Simple, quality locally sourced ingredients, good bread, coffee, chutneys and a decent wine or beer list can do the business just as well, argues Turvil.

Yet, argues Altium's Feehely, pubs will, and should, remain distinct entities. "Are all these pubs turning themselves into restaurants? That is nonsense. The price points are still quite different, with pubs around £7 a head for lunch and restaurants still around £12.

"If a restaurant is doing good food at a good price then it has nothing to worry about from pubs," he says.

As pubs become better at doing food themselves there is also the issue of whether traditional "pub restaurant" formats such as Beefeater and Brewers Faye, being sold by owner Whitbread, can survive.

Future prospects
In the short-term, particularly with the smoking ban make pubs a more food-friendly environment, the prospects for pub food look pretty good.

But the continuing and increasing reliance of the industry on food is raising long-term concerns about whether the growth rates seen over the past few years are sustainable or, even, desirable.

"The obvious thing for the future is to do more food, but are you then going to get an oversupply of food venues on the high street?" worries KPMG's Coughtrey

Price and margin will become issues of growing importance, predicts Which?'s Turvil.

"I think pubs might start to have a hard time if they are seen to be matching restaurants for prices," he explains.

"I do not automatically think the gastropub is significantly better value than the neighbourhood restaurant, but it does have the advantage of the pub environment," he adds.

There is also a wider question: can pubs continue to rely on, and increase food sales to boost their margins and at the same time maintain their identity as pubs? Will the raising of standards and quality mean the end of the traditional "boozer"?

"We have to be careful of too much gentrification, of too much smartening up, I think. It is essential that pubs keep their atmosphere, take their food seriously but also their drink seriously," stresses Turvil.

"It would be sad if pubs became little more than restaurants with pubs attached," he adds.

	2001	2002	2003	2004
Pubs food sales (profit and cost sectors)	£3.35b	£3.38b	£3.42b	£3.47b
Pub food and drink sales	£4.98	£5.11b	£5.17b	£5.26
Number of meals served (m)				
Pubs	1,064	1,070	1,081	1,095
Restaurants	688	645	627	642
Number of pub outlets (profit and cost sectors)	51,564	51,506	51,352	51,267

Source: BHA Trends and Statistics, 2005

Pubs market overview

(12 May 2006 17:10)

The market

There were estimated by the British Beer & Pub Association (BBPA) to be some 200,000 licensed premises in the UK in 2005, a figure that includes around 51,000 off-licenses and 29,000 clubs, making a total of 120,000.

The BBPA's figure by and large tallies with Government statistics, which put the figure for England and Wales at 113,370, with 19,913 clubs.

The industry, according to the BBPA, has a turnover in excess of £28.6b, with food and drink sales in 2004 accounting for £5.2b, according to the British Hospitality Association (BHA).

The sector employs around 368,394 people, the vast majority in the 20-29 age bracket, followed by 30-49 and then 16-19.

While Britons continue to be the booziest in Western Europe, they are drinking less in pubs, clubs, hotels and restaurants, downing the equivalent of 2.2 pints of booze on each pub visit in 2005, 5ml less than in 2000, says market researcher Datamonitor.

Yet more than 80% of adults are estimated to go the pub on average three times a month.

Key players

Enterprise Inns, with some 8,727 outlets, remains the dominant player in the UK pub market, according to the BHA, closely followed by Punch Taverns on 8,157, Pitcher & Piano owner Wolverhampton & Dudley (2,627), Greene King (2,419) and Mitchells & Butler (1,760), owner of the O'Neills, All Bar One and Edwards brands.

Spirit Group, with 1,193, and Scottish & Newcastle Pub Enterprises (1,137) are also significant players.

Growth prospects

The industry is "flourishing" at the moment, says Mark Hastings of the BBPA, particularly as it is much less vulnerable to economic ups and downs than many parts of the hospitality trade.

“It is as popular as it has been for the past 20 years, and is still by and large the favourite way for people to spend their leisure time,” he says.

Certainly, the main players – Enterprise, Punch, Wolves and Michells & Butler – have all reported strong full-year profit growth during 2005/06 and, with a very strong sporting calendar during 2006 (including of course the World Cup) hopes are high, says Mike Coughtrey, head of pubs and restaurants at KPMG.

When it comes to property, pub prices rose some 5.2% during 2005, according to agent Christie and Co, down on the 9.2% reported the year before.

This decline was largely because of the decline in the residential housing market leaving people less able to sell their houses and invest in pubs, argues director Colin Wellstead.

Freehold properties remain scarce on the market at the moment and generally there is still a lot of activity, he says.

Key trends

The uncertainty over the changing of the licensing laws is now largely, but not completely, out of the way, says Mike Coughtrey, head of pubs and restaurants at KPMG.

“The Armageddon that was predicted in many quarters in the media has not happened and, in fact, there is evidence that the opposite is happening, and that many town centres are now much quieter, which is encouraging,” he says.

“The change has opened the door to more flexibility, with pubs looking at how they can develop their customer base and their business,” agrees the BBPA’s Hastings. “In the medium term I think it will prove a major boost to the sector, not necessarily in direct cash terms but certainly in opening opportunities for perhaps more segmented pubs.”

But replacing that uncertainty is the smoking ban in England from 2007. While most evidence from abroad (and Scotland) does point to the pub sector bouncing back, there is nervousness over the possibility of a short-term dip and the fact that it is still not clear exactly how far the ban will go.

“We do not know exactly, for instance, what constitutes an ‘enclosed space’,” says Coughtrey. “The danger is that if it is resolved too late, it will not leave pubs enough time to prepare.”

Pubs with good outdoor areas are likely to become more attractive, he argues, and pub food may become even more important

When it comes to ownership, private equity will continue to have an interest in the sector, with players such as property investor and Laurel Pub Company owner Robert Tchenguiz, who has been eyeing up Mitchells & Butlers, very much in the frame.

Whitbread’s decision to sell a sizeable chunk of its Brewers Fayre and Beefeater pub restaurants could also bring in new investors and, certainly, will shake things up.

The challenge for proprietors and investors is, are they thinking broadly enough about ways to expand their revenue streams, and prepared to invest enough, Coughtrey questions.

Skills and workforce planning remain an issue, too, and there is a trend towards a more professionalised, career-based approach, argues Hastings, with more operators, particularly the larger ones looking at career and professional development.

Future prospects

The biggest challenge facing the sector going forward is undoubtedly smoking, echoes Christie and Co's Wellstead.

"Licensing was the big issue a year ago but now it is smoking. The pubs that will suffer will be the back-street boozers, but a lot of pubs will benefit from being smoke-free. I am sure the industry will survive and go forward," he says.

The combination of the changed licensing laws and smoking ban are likely over time to mean we see more "chameleon" operators, argues the BBPA's Hastings.

"It will be an evolution where you might have a pub serving breakfast in the morning, more formal lunches for the business market, being more drinks-based in the early evening for after-work, then switching more back into food later on and even then to late night music and entertainment," he says.

Even more so than now, publicans will need to take a long, hard look at how they operate, predicts Coughtrey.

"Particularly if they are looking to target younger drinkers, many pubs will have to tighten up their act on age," he says.

"They are going to have to look more at what they are doing with their surplus space, is it just being used for storage or could it be put to better use?"

One option might be to expand into the coffee shop market, he argues. "You could end up with a café that serves alcohol, although that is a different concept, it is not a pub, it is not too far away. People are going to have to be more adventurous."

	Pub food and drink sales (£m)	**Number of meals served (m)**
2001	4,984	1,064
2002	5,119	1,070
2003	5,179	1,081
2004	5,263	1,095

Top pub groups

Wellington Pub Co	838	
London & Edinburgh Inns	810	
Pubfolio	800	
Admiral Taverns	797	
County Estate Management	650	
Whitbread	643	
Laurel Pub Company	594	
JD Wetherspoon	586	

Trust Inns	515	
Daniel Thwaites	433	
Pyramid Pub Co	433	
Frederick Robinson	394	
Shepherd Neame	368	

Source: BHA Trends & Statistics 2005

English pubs that have already banned smoking have seen their profits rise by an average of 50%, according to a survey.

There had been fears that the forthcoming ban would drive away customers, but 80% of the 100 landlords in England and Wales questioned by The Times said that their profits had gone up since they outlawed smoking. Just 4% said that they had lost money.

The survey revealed that food sales in non-smoking pubs have risen by 80% on average.

Nearly half of the pubs questioned said that drinks profits had increased by 37% on average, while a third said that drinks profits had stayed the same.

Between 5% and 10% of pubs in England and Wales have already banned smoking ahead of next summer's legislation outlawing lighting up in public buildings.

Punch Taverns, which has more than 9,000 pubs, started to introduce no-smoking zones nearly three years ago. Today, 70 pubs are smoke-free

Francis Patton, the customer services director at Punch, told The Times: "Too many people are looking at the smoking ban as a threat, but we know this is a huge opportunity.

"The smoking ban is a great opportunity to get new customers (who want to eat) into pubs and also to keep people there who go regularly. Today, 90% of pubs have an outdoor area, often with heating and umbrellas."

Source: CatererSearch.com

GAMING

Betting & Gaming keynote October 2006

According to National Statistics, household expenditure on betting and gaming was virtually unchanged between 2004 and 2005, whereas the 2 years prior to 2004 both saw double-digit growth. The industry is in the process of tremendous change, as deregulatory measures come into effect following the enactment of the 2005 Gambling Act. This act has established the framework for the new regulatory regime, but there are still details to be determined and the key provisions will not come into force until late 2007.

Deregulation is controversial. Its opponents are of the opinion that increased opportunities to bet can lead to increased problem gambling. Its supporters argue that it is a matter of personal liberty. There is, of course, no doubt that the Treasury will benefit greatly. Casino operators have already reported increased attendances since the 24-hour `cooling off' period between joining a club and being permitted to play was abolished. Two of these operators, Stanley Leisure and London Clubs International, are in merger talks that would create the largest casino operator in the UK.

The Government has said that, at least for the short term, only one regional (or `super') casino will be permitted in the UK, with a minimum of 5,000 square metres of floor space. Since this regional casino, in addition to gaming tables, will be able to house lucrative Category A gaming machines with unlimited stakes and prizes, competition between operators to be awarded the coveted licence is stiff.

Online betting, which is the fastest-growing sector of the betting and gaming industry (worth more than $12bn in 2005), is to be regulated under the Gambling Act, with effect from September 2007. At the moment, it is a grey area, as no online casino gaming site can be lawfully established in the UK — although residents of the UK are free to play on overseas sites and betting sites can be located in the UK. Remote gambling is also a grey area in the US, and online gambling companies saw their values plunge when the British Chief **Executive** of Internet sports betting company BetonSports was arrested in the US in July 2006. Subsequently sacked from his job, he faces trial along with others on a range of charges, including Wire Act offences, racketeering, money laundering and fraud.

Whether the racketeering and fraud is proved or not, the fact that the US Justice Department is to prosecute under the Wire Act has caused shudders in the online industry. An international conference of online gambling operators in Las Vegas was hurriedly cancelled in July 2006, amid fears that the Federal Bureau of Investigation (FBI) could be about to widen its crackdown on the US industry, estimated to be worth more than £3bn. The UK, as well as the US, industry and its investors may well welcome a court case that serves to make the law clearer, while the provisions of the Gambling Act 2005 will hopefully clarify the provision of online gambling in the UK.

At the time that this report was published (October 2006), there had just been a `shock move' by the US authorities, where the US Senate pushed through a Bill outlawing the processing of online bets by banks and credit companies. PartyGaming and 888 have both said that they will suspend their US operations once a new law comes into effect, probably within a fortnight.

Betting & Gaming Keynote 2004

The UK betting and gaming industry, revered for its integrity and expertise, is currently regulated by some of the strictest gambling legislation in the world. Deregulatory measures were first drafted in 2001, but their implementation has been plagued by delays. The UK Government published the first draft of a Gambling Bill in November 2003, since when further clauses have been added — so that even the incomplete draft runs to more than 250 clauses. It is now widely expected that the long-awaited deregulation of the UK's betting and gaming market will come about in 2006. The Gambling Commission will be launched in 2005 and become operational early in 2006.

The fact that motivation for a change in the law has come from a combination of developments in technology and defects in existing legislation, rather than from consumer demand, has led some to question whether the UK public needs, or even wants, more opportunities to gamble. The Joint Committee on the Draft Bill recognises that almost all of the evidence it received points to the fact that the proposed legislation will increase the number of people in the UK with a gambling problem. Indeed, it is the casino sector, perceived as hard gambling, which is likely to benefit most from the changes, as restrictions on membership rules, situation, size, entertainment and alcohol are lifted. The sector will also be able to advertise casinos, rather than be restricted to a listing in newspapers, as is the case currently. There is also likely to be a flurry of investment in projects — by domestic and overseas operators — creating thousands of jobs. Deregulation will also swell the Exchequer's coffers, a reality that has not gone unnoticed by cynics.

It is the bookmaking sector that has been making record profits since the introduction of the controversial Fixed Odds Betting Terminals (FOBTs) in 2001, and latest figures from HM Customs and Excise show total betting stakes — excluding the billions of pounds spent on bingo, lotteries, traditional gaming machines and casinos — to have reached £29.1bn in 2003, compared with £7.5bn in 1999. However, the rate of growth will slow as the frantic, and exceedingly lucrative, rollout of FOBTs is completed. Meanwhile, the pools sector continues to decline, while there are plans to convert some bingo halls to casinos. Understandably, companies that operate exclusively in the bingo sector are none too happy about the fact that casinos, on the whole, will be able to offer bingo but bingo halls will not be permitted to offer casino games. It seems inevitable that they will become casualties of deregulation, as consumer spending is diverted to resort casinos.

The advent and popularity of online gambling has made betting and gaming a truly global pursuit, albeit an illegal one in some jurisdictions. Following the Gambelli case (see Chapter 8 — The Global Market), it seems likely that Europe's state-run gambling monopolies will be outlawed in years to come. The future looks decidedly rosy for the already successful companies involved in the UK's betting and gaming industry with, it seems, their biggest threat being the entry of the giant US chains, which are already greedily eyeing up the market.

internet leisure & entertainments market 2006, keynote

The Internet has had a profound impact on consumer behaviour in the UK, affecting work and education and opening up new channels of communication through e-mail and interactive websites. Spending time online has itself become an important leisure activity, but the days of pointless `surfing' have given way to much more directed, purposeful activities.

These new online activities are increasingly social, in contrast to the `solipsistic' surfing of the past. Research by Key Note shows that activities such as online auctions (led by eBay), interactive multi-player games and getting in touch with old friends, relatives or `dating' are all part of the new `virtual society' that has developed on the Internet.

However, in terms of generating revenues, the most lucrative e-commerce sector in leisure is still travel, estimated to account for nearly two-thirds of online spending on leisure. Consumers increasingly research their holidays online before booking them, even if they still use the telephone or a travel agent in the high street for the final booking. Examples of the impact of the Internet on travel include being able to check in at home for a flight (including self-printing the boarding pass) and the stimulus given to short-break holidays by the budget airlines (e.g. Ryanair), which sell almost all of their tickets online.

Despite the value and growth of e-commerce for leisure, worth around £6.5bn in 2005, this still represents a small fraction of total spending on leisure (a distribution share of less than 10% in most leisure markets). Some activities are suitable for a steady rise in the online share to take place, notably gambling and booking tickets for events. Interactive websites are eminently suitable for these activities, whereas other leisure activities obviously involve leaving the computer behind (e.g. taking part in sport or going to a public house or cinema).

The supply side of online leisure is increasingly dominated by a handful of major websites, despite the `democratic' nature of the Internet. The vast majority of consumers in the UK rely on systems using Microsoft (for basic software), and Dell has taken a clear lead in selling computers to UK households. There is a limited number of websites used as consumer portals into the Web, including Google, AOL and MSN (Microsoft Network). Leading leisure-related companies online include Amazon (for entertainment products), eBay (online auctions), iTunes (music downloads), Friends Reunited (a website now owned by ITV, for finding and contacting old friends) and Expedia (travel), but they face competition from the online divisions of established companies such as the BBC, Virgin and ITV. Overall, the supply is increasingly dominated by US companies such as IAC/InterActiveCorp, owner of 60 website brands including Expedia (travel), Ticketmaster (tickets for music, sports, arts and theatre events and other attractions), TripAdvisor (reviews and deals for hotels, resorts and holidays), Match.com (dating) and Ask.com (information searching).

Many experiments and trials are taking place in 2006 and 2007 that will shape the new Internet leisure market. Video-on-demand (VoD) will transform broadcasting, and the days of some `entertainment products' (e.g. CDs and DVDs [digital versatile discs]) are limited because of the potential for downloading them. However, books seem to be impervious to these changes and the traditional book market is still thriving. This is symptomatic of another trend in leisure: despite all the technological advances, most consumers are still simply finding ways to access `old culture', such as Hollywood movies, `greatest hits' records or live football matches. Many time-consuming activities online — such as finding old friends and relatives or buying second-hand goods — also contain an element of `cultural timelag'.

Online leisure & entertainments, keynote July 2004

Despite strong growth in the online market for leisure and entertainment products, consumers making this type of purchase over the Internet remain in the minority. However, traders active in the market continue to hone business models and address consumer concerns, although they face increasing competition from rivals and growing downward pressure on prices.

The Internet is often viewed as simply another distribution channel, meaning that estimating the value or volume of business performed online is difficult. Published sources often do not differentiate between values of sales generated through the different channels, with the result that placing value sizes on the markets is not straightforward. Estimates — built from deciphering the overall trends, stand-alone figures and consumer take-up rates within the industry — are often the closest it is possible to get to hard data. Many of the tables in this report are estimated based on such evaluation.

The Internet has revolutionised the travel sector and the way in which products and services are retailed. Aside from the business-to-business (B2B) aspect of the marketplace (whereby, for instance, travel agents themselves utilise the Internet to search for deals), the convenient access to the Web now enjoyed by many companies and consumers has also transformed the way in which the travel industry interacts with its market.

In the music sector, technological advancements are driving new product developments (NPDs); there has been a real change in the way consumers access, purchase and listen to music. Downloading and streaming music over the Internet still represents a very small part of overall music industry sales, but is growing strongly, fuelled by the launch of new services and hardware. Books and DVD sales also continue to do well online as once niche brands, such as Amazon, carve out both a profit and a genuinely influential position in an increasingly global market.

Research in this report (see Chapter 7 — Consumer Dynamics) shows that the overall percentage of consumers actively making purchases online is small, but growing. Many still view the Internet as a place to do research prior to making purchases through more traditional routes; this experience is convincing traders that continuing integration of distribution channels is a core trend. Consumers in the ABC1 group are more likely to be active in the market than those in the C2DE group.

Across the market, there is strong incidence of acquisitions as some of the larger companies begin to consolidate their position as leaders within the sector. Where acquisition strategies are not sufficient or appropriate, companies are able to build competitive advantage through strategic partnerships and joint ventures, which provide extra dynamism to the sector and enhance consumer experience within it.

Future growth looks to be strong, particularly in the travel and music sectors, where developm developments in communications technology are likely to improve the way consumers are able to use the Internet.

Oct 2005 Leisure & recreation market keynote

Leisure time is more important than ever before. It is increasingly likely that both partners in a household are working full time; commuting adds to the burden of the daily routine, whether to school or to work. There is also the increasing danger of sedentary occupations, producing the demand for active leisure or `recreation'. More working time is spent every year sitting in front of a computer terminal or on the telephone, followed by driving home or sitting in a train. At home, the temptation is greater than ever before to sit in front of the widescreen television, with its superb picture and sound, or to spend hours on the Internet or playing electronic games.

To satisfy the demand for activities that break into the sedentary pattern, there is a vast range available both inside and outside the home. In total, the leisure and recreation market as defined by this Market Review involved consumer spending of £83.93bn in 2004, which gave leisure and recreation an 11.5% share of all UK consumer spending. This share has not been increasing, although the trends for each type of leisure activity vary widely. The largest markets in 2004 were:

- eating out and drinking out
- home viewing, covering both goods and services (television sets, Sky subscriptions, the Licence Fee, etc.)
- DIY and gardening goods
- gambling (including the National Lottery).

Other, smaller leisure markets include reading, home computing and electronic games, sport and exercise, home listening and commercial entertainment or culture outside the home, including cinemas.

Of course, financial expenditure is not the only factor influencing leisure and recreational choices; they are also affected by the amount of leisure time available and how consumers choose to `spend' that time. Research carried out by BMRB Access on behalf of Key Note in July 2005, revealed that watching television, video cassettes (VCs) or digital versatile discs (DVDs) retained its place as the dominant leisure activity both at weekends and in the evenings.

83% of adults claim to enjoy watching `the box' as a leisure activity on the average evening. Other popular activities that consume time but which do not cost the consumer very much include `reading a good book' and `listening to music or the radio'.

These same activities are also the most popular at weekends, but weekend leisure is increasingly likely to involve `entertaining others at home', indicating the trend towards `cocooning' within the home for many families, although `going to the pub' is still popular. There are clear divisions in leisure by age group, with pub-going, cinema and concerts preferred by the young, while older consumers enjoy reading, gardening and DIY.

The supply side of leisure markets features a mixture of subsidised activities — for example, the Government and local authorities encourage cultural participation and exercise — alongside commercial operators, such as the owners of chains of pubs and restaurants, cinemas and bookmakers. Most companies are now specialised, rather than attempting to own more than one leisure subsidiary. This means that the supply side is highly fragmented by sector, although the media markets still feature some multinational conglomerates, such as Rupert Murdoch's News Corporation, Time Warner and Sony.

Prospects in 2005 are not especially promising, owing to the weakening of the UK economy, with the likelihood that `belt-tightening' by consumers will increase with regard to the more frivolous items of household spending. Key Note forecasts that total growth over the 5 years from 2005 to 2009 will not match the growth achieved over the previous 5 years (2000 to 2004). Growth will be led by the home computing/electronic games and gambling markets, while home listening will struggle.

The virtual wheel of fortune

Touch-screen roulette has become a £15bn moneyspinner

Simon Bowers
Friday August 20, 2004
The Guardian

British gamblers are staking more than three times as much money as they bet every week on the National Lottery on virtual roulette machines in Britain's top five high street betting shop chains. The new touch-screen terminals, introduced less than three years ago, have rapidly attracted a dedicated and growing following, offering punters the best return in the betting shop and a maximum prize of £500 on each spin of the wheel - 20 times the payout cap on traditional fruit machines.

An investigation by the Guardian conservatively estimates that more than £290m a week is gambled on about 15,500 machines at Ladbrokes, William Hill, Coral, Stanley Racing and the Tote. This compares with average weekly ticket sales of £88m recorded by Camelot, operator of the National Lottery.
With virtual roulette at the "big five" bookmakers generating an annualised turnover estimated at more than £15bn, this new betting craze has become far and away Britain's most popular gambling product almost overnight.
And the exact total staked on virtual roulette across the entire industry is likely to be higher still, though it is impossible to estimate how much is being fed into

machines in the 2,500 or so betting shops owned by the smaller private operators.

The Association of British Bookmakers admits nobody even knows how many of the machines have been installed - only that the number is growing as fast as manufacturers can build them.

Customs and Excise figures show a fourfold leap in betting industry turnover to £29.4bn since the first roulette terminals began appearing in 2001, although bookmakers note this figure includes all betting shop products as well as internet and telephone betting.

ABB chief executive Tom Kelly said: "Nobody is saying the industry isn't doing well [out of roulette machines] - of course it is. But the turnover figure [cash staked by punters] is extremely misleading."

He points out that much of the money fed into the terminals is won back by punters and recycled through the machines several times. The result is a high turnover figure - although, in reality, at the end of a spell on the virtual roulette wheel punters tend to lose only a fraction of the amount staked. The Guardian nevertheless estimates that punters are losing more than £8m a week to the big five.

Exact figures for turnover and punter losses remain closely guarded secrets - although all the big five bookmakers have provided the Guardian with limited guidance on average machine performance, except the state-owned Tote.

What is more clear, however, is that the roulette terminals are becoming an increasingly lucrative source of profits. Britain's two largest betting shop chains, Ladbrokes and William Hill, are due to post interim figures in the next three weeks that are expected to suggest profits from machines have outstripped those made from traditional over the counter bets on horse racing, greyhounds and football. They will have to answer claims that their primary business has essentially switched from sports bookmaking into an amusement arcade operation.

William Hill floated at 225p on the stock exchange in June 2002, when it had no roulette machines. Since then it has installed 4,000, and in April it entered the FTSE 100 and hit share price highs above £5. Last month Stanley Racing became the first chain to reveal that profits from its machines had more than doubled to a level exceeding the combined profits generated by all its other betting shop products. Stanley also said longer betting shop hours had been introduced to accommodate punters wanting to gamble on the new terminals. William Hill and Ladbrokes have also extended their opening times.

The virulent proliferation of roulette machines is understood to have generated a degree of panic in the Department of Culture Media and Sport, where plans had been afoot for a wholesale deregulation of Britain's casinos, bingo halls and betting shops in the government's imminent gambling bill.

Such has been the concern of the culture secretary, Tessa Jowell, about the potential for problem gambling associated with touch-screen roulette that it is thought to have influenced her decision in June to substantially reverse the deregulatory spirit of the draft bill.

Surprising and frustrating many within the gaming industry, Ms Jowell ditched the department's proposals to permit a measured rollout of US-style jackpot slot machines into scores of high street casinos in Britain. It is thought she is keen to do more to curb the proliferation of roulette machines as well, but for the time being has given her backing to a voluntary code of conduct, limiting each betting shop to a maximum of four terminals.

The ABB signed up to the code, which came into effect in April, after it became clear that the industry would otherwise find itself in the high court. The government had wanted to ban the new machines, insisting that by law, roulette is not permitted outside licensed casinos. But a regulatory loophole appeared to suggest the outcome of a court case would have been unclear. Bookmakers have been careful to ensure that the virtual spin of the roulette wheel does not technically take place inside the machine but rather in a central computer located many miles away and provided as a service by the machine manufacturer.

While this is of no consequence to those placing bets, it allows the bookmakers to advance the argument that their machines are not gaming machines - which are prohibited in betting shops - but "fixed odds betting terminals", simply taking bets on an event which is happening off the betting shop premises.

If this sounds like a sophist's argument, it has nevertheless been enough to dissuade Ms Jowell from challenging the bookmakers in court. Her hands temporarily tied, she has told bookmakers their roulette terminals are "on probation".

Ironically, the proliferation of virtual roulette was sparked by a change in betting duty introduced by Gordon Brown in October 2001. The decision to tax bookmakers' gross profit and abolish the unpopular duty on bets staked was welcomed by punters, but few within the Treasury understood they were opening the door to a new generation of unregulated gambling machines attracting bets of more than £15bn a year.

Meanwhile, few have been busier tapping the seemingly insatiable appetite for virtual roulette than Peter Jones, the chairman of the state-owned Tote. Despite being established 75 years ago as the monopoly operator of pool bets, the Tote has doubled its betting shop estate in the past four years to 450 and has set a target to install 1,200 machines.

Mr Jones argues the Tote's ties to government have not made its installation of roulette machines contentious. A signatory to the industry code of conduct, he insists this is regulation enough to ensure a responsible approach to the potential risks associated with problem gambling.

With the privatisation of the Tote expected early next year, many will want to see the value of its new roulette machines fully reflected in the price. So far, the Tote is keeping the figures close to its chest.

Monday, September 18, 2006
AWP stakes and prizes change imminent?

AWP stakes and prizes change imminent?

AN announcement from the DCMS about a review of stakes and prizes for AWP machines was expected either today or early next week, we understand.

Rumour was rife this week, varying between an award of 30p/£35 and 50p/£35. Both were viewed by the industry with considerable dismay, the former because it was only a marginal increase from the current 30p/£25 and the latter because the prize is no better than the old Gaming Board recommended unsuccessfully two years ago.

It is generally considered in the industry that the only improvement which will really go some way to resurrecting the AWP would be 50p/£50 which is fully justified not only by the fact that it is five years since the last review and probably three years before the next one, but also because the 'playing field' is currently so skewed by Section 16 in arcades and FOBTs in betting shops.

However, this is unlikely to register with the DCMS, it is thought. A 50p/£35 uplift would do no more than create a very temporary flurry before the AWP business resumed its dramatic decline.

The DCMS confirmed to ecoin-op that it is currently ‘considering representations for the industry’ over key policy issues, but would not confirm that it related to a review of stakes and prizes for AWP machines.

“We are currently undertaking further policy work in the area of gambling based on representations from the industry, but any suggested changes in policy are subject to the usual legal procedures, which can be complex and lengthy,” said the spokesperson.

http://www.amusements.blogspot.com/

Future unclear for S16 machines
ALTHOUGH it is not yet certain how many Section 16 games an arcade will be permitted this time next year - four is the most quoted estimate - one of the most talked about aspects is what will happen to the balance. With around 12,000 of the games currently in the market, and most arcades stocking them in numbers, it is estimated that the market will become a 25 per cent replacement business very quickly, but that 6-7,000 games will become redundant in the shake-out. The best guess is that most operators will want to 'kit' them as category C (AWP Section 34) machines, creating an immediate rebuild market, while considerable numbers of the remainder will be crushed or converted for export to eastern Europe. *Source: eCoinOp UK*

Friday, August 11, 2006

Astra Megaslot upturn + More News!
Last rites for the AWP?

By David Snook

If the views of one sector within the current UK AWP manufacturing/operating industry were to be accepted, then there is an unquestioned conspiracy against the street market, whether in pubs or arcades. That group cites a succession of individual circumstances and setbacks for the industry which, if viewed in aggregate, might suggest a plot to dismember machine gaming in Britain. The motive? To restrict gambling to the 'tidier' betting shop/casino sector and eradicating the perceived out-moded arcade/pub location.

The evidence could be seen as compelling...

* The old Gaming Board recommended a move to 50p and £35 in stakes and prizes for two years ago - rejected by Government, in favour of a (much) later review by the new Gambling Commission.

* The lack of purchasing through an absence of innovation, caused by manufacturers cutting R & D investment in face of a downturn in sales. The natural progression is a loss of the once-dominant position that Britain held in AWP exports.

* The switch-over to a preponderance of 'greening' (a posh name for refurbishing) in AWP factories which once did nothing but all-new games.

* The ill-disguised and often notorious liaisons with foreign - notably American - casino industry leaders and 'consultants' with zero experience of AWP operating or even of the principles behind that genre of game.

* 40,000 AWPs have come out of the industry base in the past two years through the above factors.

There is a veritable catalogue of crimes committed by the Gambling Commission, the DCMS, the Government and just about everyone else in authority over the industry, but those are seen as perhaps the principal causes for the current woeful state of the industry.

There is a more moderate line to all of those arguments, but even before examining those credentials, there is a common bottom line. While the industry may be talking with the Gambling Commission right now with a view to advancing a review of stakes and prizes from the projected September 2007 to somewhere later this year, it may be too little too late. They'd hope for 50p/£50, but most money is on the 50p/£35 which in reality the business should have received two years ago.

Basically both 'camps' agree that without a review this year - THIS YEAR - the AWP industry will be beyond redemption.

But what of those compelling arguments? The stalling of the Triennial Review was clearly a bad move by the Government. The Gaming Board was its appointed industry watchdog, there to keep its eye on the industry and its ear close to the industry ground and report back dispassionately. If it recommended 50p/£35 then it did so as a carefully considered suggestion to keep already tilted playing fields from unbalancing completely. It should have been listened to; an accepted form of entertainment which had stood the test of time and which entertained millions and kept thousands in jobs, was placed in severe jeopardy because it patently failed to listen.

The rest is as inevitable as night following day. Instead of a regular pattern of assimilation, testing and initial purchasing in the first year after a review, followed by a year of intensive purchasing, followed by a slowing down in anticipation of the next review - used by manufacturers as an opportunity to put new games into the export market; we have stagnation. Operators have sat on their cash in case buying is quickly followed by a review rendering their purchase out-dated and they have also sat on their cash because the manufacturers are struggling to make playable and appealing games from old limits. The manufacturers have struggled to make ends meet - hence the stopgap of greening to keep factories open and an appearance of re-equipping in retailers' estates - and reduced their R&D spend. That reduction has also led to the surrender of the pole position in exports to competitors from Germany, Spain and the Netherlands.

The hoo-ha in the press about ministers dining with casino moguls and the scantily-disguised auto-suggestions of something murkier as a result, would have some recognition if the outcome had been the 200 new regional casinos which the Americans and Australians wanted. Yes, the American casino industry has generally been the root cause of the mess-up of foreign markets all over the world, notably Russia and Greece, but it hasn't happened here and probably won't as the mass of new casino openings will almost certainly not happen.

There is some evidence that the authorities came to the industry at one stage and suggested the simple transplant of industry standards from Nevada, Australia or New Zealand directly on to all forms of UK machine gambling. But the explanation of a few simple home truths - such as the intrinsic difference between an AWP and a casino slot - appears to have sent them off for a re-think. At least it is seriously to be hoped so...

Forty-thousand AWPs out? That is probably an under-statement. If you take half of them as those AWPs which were unceremoniously dumped out of betting shops when the fixed odds betting terminal was allowed in and the remainder as having dropped out of arcades because they offer poor alternatives to other forms of coin-op gaming, then you perhaps have the bulk of the downturn in numbers. But there should be added to that the reduction in the number of AWPs in pubs - again because the core player can go down the road to a betting shop and play for bigger numbers.

The essence of the problem is the imbalance between the offerings permitted in pubs and those permitted in betting shops, distorted further by the delay in a review of stakes and prizes. A fundamental error was made in the UK when the Gaming Board had the bookies by the short and curlies, legally, over FOBTs and dropped the case. It apparently did so because it wasn't offered the necessary funding to fight the action by the DCMS. A ha'porth of tar, therefore it could be argued, helped sink not just the ship - but an entire fleet. The admitted loophole which the Thomas Family introduced in Section 16 games (Section 21 in bingo clubs), certainly helped partially fill a void, but that has probably now run its course and in any case only applied to arcades and adult gaming centres.

A review of stakes and prizes is an immediate but only partial solution. The real problem is that the industry is fighting an acute imbalance of gaming opportunities between the different types of location in the high street, with the betting shops at the top end, the pubs languishing way down at the bottom and the arcades and AGCs floating in between. It should also be argued that the middle sector is essentially different from the betting shops in that they offer something that the bookies don't, an environment which is not single-sex, which is less aggressive and which is designed to entertain rather than entice. Twenty quid in an AGC will entertain for a couple of hours - the same in a bookmakers will potentially be gone in minutes.

There is also an argument that the pubs have contributed to their own malaise. The operating principles of the old breweries are strongly retained by the modern retailers. A short-stay machine controller has but one objective - create higher profits from AWPs before moving on and upwards in his career, with little concern for the chaos he leaves behind. Retailers need to take a longer-term view and instead of anchoring themselves on 80 per cent payout (didn't one major retailer recently take a strategic decision to cut to 71 per cent?), they could look at going the other way. Anyone with even a modest understanding of the British AWP industry will know that if the pub player cites a machine as 'mean' you might has well change it. That is an opportune moment to report that AGC specialist Talarius is reporting a 15 per cent uplift in performance this week - and we understand that its percentage payout is 92-94 per cent. The year-on-year return for pub AWPs is currently 10-15 per cent down...

But those are interesting 'asides' that perhaps help to illustrate the points. The AWP industry remains in a parlous state, certainly the weakest it has been in my career in the industry, which will span 40 years next year. It is probably - I emphasise only probably - an unfortunate set of successive circumstances. I

would discount the conspiracy theory, but only just.
http://amusements.blogspot.com/2006_08_01_amusements_archive.html

Bingo Industry Suffers + More News
Scotland's bingo industry suffers…

THE creation of smoke free bingo clubs through the implementation of a ban on smoking in public spaces has hit the bingo business in Scotland far harder than the 'worst case scenario' modelled by experts, as bingo players arrive later and leave earlier.

In the three full months since the ban came into effect on March 26, revenues at all clubs have been hit hard, with Scotland's independent bingo clubs feeling the greatest pressure. Five clubs have already closed. KE Entertainments, which operates clubs in Gordon Brown's constituency, has closed Premier Bingo in Denny and Rio Bingo in Kirkcaldy.

Operations manager Mike Lowe said: "Within a four week period of the ban being introduced it was apparent that the business would in fact be devastated and extreme measures would need to be taken to lessen the impact. After six weeks I had identified two clubs that would need to close. I have recorded as many as 47 per cent of players leaving a session in order to smoke… I do not feel that we have seen the worst effects of the smoking ban yet." Other operators in Scotland have experienced similar declines, reporting a 17-27 per cent drop in revenues

AMUSEMENT ARCADE

The results of the surveys made it clear that introducing an amusement arcade on Boscombe Pier would be unpopular with the vast majority of adults (89%). Whilst the majority of young people (65%) would be in favour of one.

Should the Council wish to introduce an arcade in order to subisdise ongoing costs associated with other elements of the scheme, they may wish to implement some of the following suggestions in order to minimise its unpopularity with residents:

- Participants perceive amusement arcades to be noisy, dark, dingy and dirty. **The Council should consider creating an arcade which is light, clean and modern in order to make it more welcoming.**
- Participants' dislike of amusement arcades also stems from a dislike of gambling, particularly because arcades attract mostly children and young people. **The Council should consider excluding slot machines from the arcade and opt instead for electronic games machines, simulators or table games such as air hockey, pool, table football etc which are much more acceptable to residents.**
- **The Council may also wish to design the revitalised Boscombe Pier so that people are not forced to walk through the arcade in order to access other parts of the pier.**

http://www.bournemouth.gov.uk/News/Consultation/findings/Spa2003/focus_groups/Amusementarcade.asp

Amusement arcades thrown lifeline

From the archive, first published Thursday 27th Jan 2005.

Seaside amusement arcades have been thrown a lifeline following fears that Government moves to restrict children's use of coin machines could put them out of business.
Ministers have pledged to review plans in the Gambling Bill to place age and prize restrictions on the use of the lowest category amusements, such as crane grab machines.
It followed a cross-party rebellion among MPs from seaside towns around the country including Bognor and Littlehampton's Nick Gibb, who described the plans as a "sword of Damocles" hanging over arcade owners.
Mr Gibb told the Commons: "According to a survey carried out by the British Amusement Catering Trades Association, 90 per cent of its members who run arcades in seaside towns will restrict their investment if this goes ahead."
Culture Minister Richard Caborn said there would be a review of the proposal which would report before the Gambling Bill goes before the Lords late next month.
Mr Gibb attacked measures to reduce the value of prizes available in the machines, classed as Category D, from £8 to £5.
This idea has brought protests that arcade owners would not be able to attract youngsters with prizes that appeal to them. Mr Gibb said: "This rings true with the experiences conveyed to me by my constituents who run Harbour Park in Littlehampton.
"It also rings true with the British Amusement Catering Trades Association survey, which showed that 88 per cent of such businesses believe that if stakes and prizes are reduced, the impact on them will be hugely negative."
Fruit machines for children only allow a £5 cash jackpot or £8 in tokens while adult machines can have a £25 jackpot.
Gary Smart, the managing director of Harbour Park, said the industry would be damaged if prize values were reduced and adult gambling areas were outlawed.
He said: "You have two licences in arcades like Harbour Park or the Palace Pier.
"A Section 34 licence allows children to come in and play and a section 34I allows an adult area, as long as it is fenced off. This is called grandfather rights.
"The Government are not saying we will have grandfather rights when the Bill comes out. They are a major element of what we have to offer. Grandfather rights are something we have enjoyed with no perceived problems."
Mr Smart said dropping the prize value from £8 to £5 would make crane machines less attractive and no longer viable.
He said: "Cranes and pushing machines, which are mostly set on 2p a play, are quite innocuous.
"We have to have prizes that make the game worth playing. Reducing the prize value seriously erodes that."
Sussex's Tories joined calls for the number of "super-casinos", which have been the most controversial area of the Gambling Bill, to be limited to four.
After criticism the Government was leaving the way clear for the development of a Las Vegas-style gaming industry in the UK, Culture Secretary Tessa Jowell has pledged to cap the number of proposed large regional casinos to 25.
But the Tories called on Monday for a lower number.
The move was defeated by 235 to 148, with Brighton MPs Des Turner and David Lepper supporting the Government's existing quota.
Thursday January 27, 2005
Archive Home
From the archive
http://www.theargus.co.uk

Miscellaneous

UK camping & caravanning market keynote March 2002

The UK camping and caravanning market can be classified into two main sectors: camping and caravan equipment and camping and caravan services. In 2001, the turnover of the camping and caravan equipment market was £1.12bn.

With over a million caravans in use, caravanning has become one of the fastest-growing leisure activities in the UK. Generally, the camping and caravanning market benefits from the increasing trend towards independent activity holidays and short-break holidays, particularly among families.

Recent value growth can be attributed mainly to the growing sophistication in the marketplace, with consumers buying more quality models and improved designs of residential park homes. There has also been increased consolidation in the industry since 1995, which has resulted in the development of niche markets and new brands.

In the caravan sector, the growing trend towards stationary caravans and residential park homes continues, due mainly to the improved quality of parks and facilities. Manufacturers have capitalised on the desire for second homes, mostly on the part of older consumers.

To combat rising continental imports, leading caravan manufacturers have diversified into motorhomes, introducing more stylish models and targeting younger consumers.

The camping equipment sector continues to benefit from the growth of activity and adventure holidays, which require specialist equipment. New product developments (NPDs) have focused on lighter and safer products, e.g. fire-retardant tents, as the manufacturers respond to an increasing demand for comfort and convenience.

The future looks extremely challenging for the UK camping and caravanning market as it moves towards a wider European market. Greater sophistication in the marketplace will boost sales, while the market will also benefit from continued growth in short breaks and outdoor activity holidays.

UK food markets keynote 2004

There is no shortage of food in the UK and supply is no longer seasonal in a global industry. Consumers have come to expect cheap food and, in many cases, are unwilling to pay more for quality or local produce rather than that produced by intensive modern industrial agriculture.

Diet is linked to physical health, emotional well-being, behaviour, concentration and performance, and has implications for the provision of healthcare. Today's hectic pace means that eating is increasingly fitting into people's lifestyles rather than regular mealtimes structuring people's lives. A shortage of time, cooking skills and interest in food means that `refuelling on the go' has become the routine for many. That is not to say that there are no enthusiastic `foodies' left, who find preparing meals relaxing, satisfying, creative and enjoy cooking for others, but they are apparently no longer the majority.

From an early age eating is associated with security and comfort and, in later life, is an intrinsic part of social life and a ritualistic element of major celebrations such as weddings and Christmas. Families who do not sit down to a meal together regularly miss an important social occasion and the opportunity to show interest in one another.

According to some predictions, today's generation of children will be the first for over a century for whom life expectancy falls. Former killer diseases such as whooping cough, smallpox and diphtheria may have been virtually eradicated but the largely self-inflicted one of obesity has replaced them. Evidence from the Select Committee on Health suggests that people are, generally speaking, aware of what constitutes a healthy diet but face various barriers to their putting this into practice. In the absence of practical cookery lessons, children and young people are growing up without the skills to prepare healthy meals, compounding reliance on convenience, energy-dense foods that are high in calories without being correspondingly filling. In simple terms, obesity is caused by consuming more calories than energy expenditure requires. The Select Committee estimates that only just over a third of men and around a quarter of women achieve the Department of Health's target of 30 minutes of physical activity five times a week, while a fifth of boys and girls undertake less than 30 minutes' activity a day. So serious is the problem of obesity-related disease that some sort of government intervention is expected by 2007 and the food industry is under intense pressure to reduce sugar, salt and fat levels in its products, or face `naming and shaming' and tighter regulation.

Some people may resent what they perceive to be dictatorial interference as to what they should or should not eat. Banning the sale of beef on the bone during the bovine spongiform encephalopathy (BSE) crisis was seen by many as unwarranted interference from a `nanny state'; more recently, a health authority was the subject of some ridicule for banning the Women's Institute from taking home-baked cakes into hospital wards, a practice they had carried out for years. However, the Health Select Committee report published in May 2004 concluded that:

> "We note that it is difficult to establish the impact of any individual measure to combat so complex and challenging an issue as obesity; this is not, in our view, an excuse to delay and measures must be taken to tackle the nation's diet and its levels of activity. We acknowledge the responsibility of the individual in respect of his or her own health but believe that the Government must resist inaction caused by political anxiety over accusations of `nanny statism'."

This report looks at how cooking and eating habits are affected by lifestyles, economic restraints, awareness of diet, lack of cooking skills, physiological, psychological, religious, ethical and cultural issues. To assist its compilation, exclusive consumer research was carried out to ascertain what factors had most contributed to any change in eating habits in recent years. As in similar surveys conducted for previous Key Note Market Assessment reports on cooking and eating habits, the most commonly cited factor was a greater awareness of dietary requirements and effects on health. However, the percentage in 2004 saying this had declined from 2003, which in turn had decreased from 2001 and 1999. One might hope that this is because the message on diet and health was firmly taken on board years before but, given the state of the nation's health, it is more likely to be a reflection of ignorance or, worse, indifference.

holiday purchasing patterns, keynote October 2006

This Market Assessment report includes original research into the holiday purchasing patterns of consumers in Great Britain, and also looks at key trends in the context of the UK market for holidays. The market coverage includes long holidays as well as short breaks, both in the UK and overseas. However, it excludes inbound tourism.

Travel and tourism is growing and becoming one of the most important industries in the world; it is the third-largest industry in the world after oil and vehicle manufacture.

Seemingly, in the long term, the demand for travel and tourism normally rides above the wave of economic development, with growth in demand for tourism (measured by volume) normally running just ahead of real economic growth. In broad terms, the market for travel and tourism usually experiences a year-on-year increase of approximately 3% to 4% by volume, compared with a 1% to 2% year-on-year increase in economic activity. Some of the reasons for growth in holiday demand generally exceeding growth in economic activity include: the falling cost of transport in many sectors, in real terms; lessening restrictions on travel; the fact that families and friends are becoming more geographically diverse; and the fast pace of modern living, which causes many people to regard a holiday as a `necessity'.

The UK has enjoyed a number of years with a stable growing economy, but growth in holiday demand has not been consistent. This has been due to a number of factors, including the threat of terrorism, war, disease and natural disasters. Between 2001 and 2005, there were many such influences on the travel market. In addition, a lack of consumer confidence and rising fuel prices have also come to the fore recently to dampen demand. (Although consumer confidence recovered somewhat in the 3 months to August 2006.)

Uncharacteristically, growth in the total volume demand for holidays has not exceeded growth in economic activity in recent years; nor has the total value of the UK holiday market increased at a faster pace than the economy. However, within this total, outbound holiday expenditure has continued to grow at a higher rate than gross domestic product (GDP) as the market has changed from package holiday dominance to independent holiday dominance. This change has been driven by the growth in low-cost airlines and the use of the Internet. The ability for individuals to make low-cost air and accommodation arrangements over the Internet has come at a time when UK consumers are seeking more choice and variety, particularly in the short breaks sector.

The growth of the low-cost airlines has stimulated some of the charter airlines to set up their own low-cost services, as they have seen seat-only sales on charter services fall.

As well as aiding the growth in independently organised holidays, the Internet is also responsible for driving higher levels of direct booking to tour operators, at the expense of travel agents. However, this has not resulted in a major contraction in the use of travel agents, as travel agents have provided more seat-only sales.

consumer behaviour, October 2005 keynote

Key Note's fourth Market Assessment report on Men & Women's Buying Habits shows fundamental shifts in the traditional balance of economic power between men and women. The impacts of both prolonged prosperity and the rise in the number of women entering the workplace have brought male dominance of `big ticket' consumer spending to a new tipping point. Similarly, the growth in Internet retailing has brought a reversal in the previous male dominance of this distribution chain. Key Note research indicates that women are now the leading Internet shoppers, in terms of both volume and value. Elsewhere in the economy, new developments in both retailing and marketing are challenging those stereotypes that had influenced strategic thinking in retail.

The UK economy underwent a short, sharp shock in 2004, after interest rates rose. Consumers were forced to rethink outstanding credit arrangements and to rein in their spending. Consequently, consumer expenditure slowed in the latter half of 2004 and beginning of 2005 and the levels of savings began to rise again. Key Note research indicates that this shift in attitude was particularly significant among men — who tend to carry higher levels of debt and to have more concerns about repayments. The underlying strength of the UK economy remains undisputed, as other key indicators of low unemployment and inflation do not fundamentally challenge the pattern of rising consumer expenditure set in the 1990s. Leisure and holiday markets continue to benefit from the rise in prosperity.

Other key demographic data are also of primary importance in considering gender differences in buying habits. This report highlights the rapid rise in employment among women. A far greater proportion of women are employed in less well-paid sectors, but women are making inroads in the higher echelons of business and as entrepreneurs. Of greater long-term significance is the gradual rise in women's wealth. Disparity remains as far as rates of pay for men and women are concerned, but Key Note has identified trends and report findings that support the view that women are gaining a far greater share of the UK's personal assets as a result of a wide range of factors — most notably, early financial independence. The high cost of housing is beginning to have a major impact on young people's spending patterns and longer-term financial planning in relation to gender. A far higher proportion of men remain in their parental homes for longer than women. These men might have higher disposable incomes for a period of time — however, in broad terms, they lack the determination that many women have to set up independently and acquire their own assets at a young age.

Key markets reviewed for this report show the following key trends: a more cautious pattern of consumer spending in the light of the recent corrections in interest rates and the housing market, and a consequent reluctance to spend on `big-ticket' items; and major alterations in patterns of distribution, e.g. the growing dominance of the supermarket retailers and increasing parity in patterns of demand between the sexes, which is paralleled by the rise of Internet retailing.

The car market, in common with many other markets, has entered a competitive period in which, although volume sales have increased, market values are declining as a result of high capacity, high levels of imports and market saturation. Women are still far more likely than men to live in households with no car, although the pattern is far more equal among younger men and women. Women's increased earning power and rising economic wealth therefore make them of growing importance in expanding car manufacturers' threatened sales targets.

The UK brown goods market shows a similar pattern of slow growth in 2005. Key sectors, such as flat-screen televisions and camcorders, are driving market sales. Competition in the market as a whole is ensuring radical changes in distribution. A high number of retail outlets are closing as a result of competition from supermarkets and the growing success of Internet retailing. Key Note research shows little variation in levels of brown goods ownership between the sexes, but one of the key factors in the success of supermarkets' strategy of selling more electrical goods is the high number of women attracted to their simplicity and value-for-money approach, which contrasts with the fact that specialist retailers are often preferred by men.

The holiday market has been one of the greatest beneficiaries of new spending power. Despite the setbacks of natural disasters and terrorist attacks of recent years, the sector remains strong; expenditure and market volumes are expected to have risen over 2005. One of the biggest transformations in the market has been the impact of Internet sales, which are reported by some providers to account for up to a half of all bookings. The impact of the Internet, low-cost flights and the rise in independent travel are creating a revolution in the way in which consumers both perceive and purchase services. Key Note research clearly indicates that women are no longer playing second fiddle to men in browsing and buying on the Internet. Several providers report that women now form the majority of online visitors and bookers.

Attitudes towards shopping are clearly also changing in line with changes in lifestyles and the increased possibilities of Internet and home shopping. Key Note's research for this report shows a reduction in the use of cars for shopping by both sexes and an increased alignment of shopping trips with patterns of work. There is evidence of a growing distinction made by both men and women of shopping for `essentials' and `non-essentials'. For the former, consumers now want efficient and quick solutions. For shopping for clothing and non-essential items, expectations are building for environments that entertain, inform and make a trip to a shop worthwhile. There is abundant evidence within the report of radically different approaches to shopping for `non-essentials' between men and women — with men being much happier to `go for the kill', whereas women are still far more inclined to value shopping as a social and therapeutic activity. Different shopping environments and customer policies that accommodate different tastes of the sexes may have their place but today's marketplace also demands a far more complex approach, which takes a much more varied customer base into account. For example, research from the US suggests that patterns of shopping behaviour between young men and women who have grown up in affluent households are becoming more similar (see Chapter 4 — Buying Habits — for further detail).

A growing gender convergence in patterns of employment is beginning to lead to more subtle marketing approaches and a rejection by consumers, and women in particular, of those marketing strategies that stereotype and do not acknowledge the massive societal changes that have been experienced as more women become workers as well as mothers. Key Note highlights study findings that show an increasing dissatisfaction among women with advertisers' representations of modern women. Gender complexity is the emerging trend in marketing to both men and women. Just as more younger men now shop more frequently, more women do not want to be characterised as domesticated shoppers — even if their appetite for shopping remains as strong as ever.

The success of both the supermarkets and Internet retailers can be said to owe more than a little to a gender-free approach, where men and women are treated on a more equal basis. The growth in broadband access in UK homes will be a major driver of future UK sales growth. Key Note research indicates that women have now overtaken men as online shoppers and, by 2010, around 20% of UK shopping will be carried out online. Other significant findings include a focus on women's growing independent wealth which will impact on the markets for luxury goods. Key Note's consumer research for this report also offers extensive detail on different patterns of decision-making between the genders in terms of shopping, car use and home shopping and the remarkable rise in solo shopping for both men and women.

C2DE Consumer April 2006, keynote

There has been a steady shift in the socio-economic base of the UK population over the past 5 years to 2005, with an increase in the number of adults in the AB and C1 groups, and a corresponding decrease in numbers of C2s, Ds and Es. C2DEs were marginally in the majority in the late 1990s, but the balance has shifted during the first half of this decade, with ABC1s now making up 54% of the population, and just 46% coming into the C2DE group.

The clothing sector has been undergoing a period of upheaval, with the middle market suffering as consumers became more adventurous in their attitudes to fashion shopping, discarding their loyalty to established brands in favour of a more daring approach to fashion shopping — something which has benefited the discount sector. The credibility of the sector received a further boost during 2004 and 2005, as fashion writers began extolling the virtues of the cheap copies of catwalk fashions that were available at retailers such as Primark.

However, major supermarket chains have also begun increasing their presence in the clothing market, and this activity, together with the continuing downturn in consumer spending, has meant that the sector has become increasingly competitive.

In the food sector, there has also been a growing trend (which has parallels in the clothing market) for consumers to `mix and match' their food purchases, being happy to choose some basic items from value ranges, while buying other products from the more expensive luxury ranges. This is confirmed by Key Note's original research, carried out by NEMS Market Research in November 2005, which shows that 62% of C2DE respondents are happy to buy the former, and 64% the latter.

Retailers have been quick to capitalise on the growth in home ownership among C2DEs, and the increased interest in home décor among consumers generally. Most of the major grocery retailers now offer budget-priced homeware ranges, and a number of DIY chains have also begun offering a wide range of furniture, furnishings and homewares along with the more traditional DIY products.

However, the inevitable cooling of the property market, and the accompanying decrease in consumer confidence, is now beginning to have an effect on consumer spending. Like the discount clothing sector, the market for DIY products and home furnishings has undergone a recent period of upheaval. A number of large furniture retailers went into receivership during 2004 and 2005, while others are struggling.

The travel industry has changed considerably during the past decade, with wider Internet access meaning an increase in independent booking of holidays, while the rise of budget airlines has led to an increase in short-haul flights to European destinations. Nevertheless, both of these developments tend to be less relevant to C2DE consumers than to ABC1s. These social grades are less likely to have Internet access (and more likely to use a travel agent to book their holidays), and they are also less likely to travel on holiday by air.

C2DE Consumer - May 2004 keynote

The socio-economic base of the UK population is changing, marked by a shift towards the ABC1 groups away from the C2DE groups. In 2003, 46.8% of the population fell into the latter, compared with 51.5% in 1999.

A number of trends in the retail sector are relevant to the C2DE consumer base. There has been a tendency for major food retailers to move upmarket, introducing higher-value own-label ranges and widening their product base to include items catering for more sophisticated tastes. However, there has been a parallel trend — prompted initially by US retailer Wal-Mart's purchase of ASDA in 1999 and set to gather pace with the sale in April 2004 of the Safeway chain to WM Morrison — for retailers to show consumers that they are offering value for money. Key Note's exclusive consumer research shows that, although supermarkets' economy food ranges are, as one might expect, more popular among C2DE consumers than their luxury ranges, a significant minority say that they often buy the latter — and those with part-time jobs (usually mothers of young children) are slightly more likely to buy them than the economy ranges.

Factors influencing the market for home-related products for C2DE consumers include the growth of home ownership among this group, the popularity of property-related television programmes and the increasing concentration on non-food products among major grocery retailers, many of which have revamped their existing ranges of home products, or introduced new ones.

The clothing sector has also been influenced by the expansion of supermarkets' non-food ranges, with discount chains and budget high-street retailers, in particular, suffering from the competition. Key Note's research shows that a fairly high proportion of C2DE consumers — especially those with young children — buy clothes from discount outlets and very few say that they would never do so.

The original consumer research indicated that the greatest divergence between C2DE and ABC1 consumers is in terms of holiday habits; the ABC1s are much more likely to say that they try to avoid commercialised tourist areas. C2DEs show considerably more reluctance to book travel and accommodation themselves, making them a key target for the mainstream travel industry, which has suffered considerably from the trend towards independent holidays.

Other research conducted for Key Note demonstrates that C2 consumers, in particular, are very important to certain sectors of the leisure industry, being more likely than any others to attend sporting events, visit theme parks and subscribe to satellite or cable television.

Travel & Tourism October 2006 keynote

The UK travel and tourism industry serves three main markets: domestic tourism by UK residents within the UK; outbound tourism by UK residents travelling abroad; and inbound tourism by overseas residents travelling to the UK. In 2005, total expenditure on UK travel and tourism was

£69.11bn, a total of 235.2 million trips were made and 1.36 billion overnight stays were made. Between 2001 and 2005, the inbound sector was the best-performing of the three in terms of number of trips and bed nights spent. The performance of the domestic market was more subdued.

The domestic travel and tourism market has experienced a number of difficulties since 2001, including terrorist actions and the ongoing availability of low-cost outbound air travel, which has made overseas holidays much more attractive and economical.

Within the inbound market, the growing number of direct, low-cost services from Eastern Europe to many regional airports across the UK has boosted short-stay visitor numbers, and strong economic growth across much of Asia, most notably in China, India and South Korea, is helping to increase tourism from these countries to the UK.

Faced with repeated price wars on mass-market package-tour destinations such as Spain and the Canary Islands, many tour operators in the outbound market have been refocusing their strategies on niche sectors. Others are moving steadily away from the congested short-haul market towards long-haul destinations and specialist holidays, such as activity breaks.

The trend among consumers for organising independent travel over the Internet continues, and the traditional travel agencies are finding it hard to survive in their current format. Most are reducing the number of high-street branches they operate, while others are refocusing their retail presence to address the change. One leading chain, for example, is turning its travel agents into Web support centres, which help customers to book online. This development could dramatically redefine the role of the travel agent, resulting in further store closures in the future.

There is concern within the travel and tourism industry that a growing number of holidays or flights purchased online do not have insurance cover and, as a result, could prove to be costly for the consumer should the airline, tour operator or hotel go bankrupt before or while they are away. Many consumers are also opening themselves to financial risk because they wrongly assume they are covered — either through the travel operator or by their insurance — against companies collapsing. In 2005, the Civil Aviation Authority (CAA) and other regulatory bodies backed a parliamentary bill to levy £1 on all air passengers leaving the UK, in order to build up a fund to protect those left out of pocket by airline failures. The proposal failed, however, and it is now up to holidaymakers to ensure that they are financially protected.

The UK travel and tourism market is forecast to show further expansion between 2006 and 2010, with the outbound and inbound markets expected to outperform the domestic market. Nevertheless, the hot summer of 2006 is believed to have boosted the number of domestic tourists and expenditure, and could produce longer-term benefits if hot temperatures are repeated in future years. Conversely, environmental concerns, such as the high levels of carbon emissions from aircraft, together with the negative impact of mass tourism on the environment in general, could lead to higher taxes being imposed on the industry, which, in turn, could affect both inbound and outbound visitor numbers.

Market snapshot: Holiday camps

(14 June 2005 00:00)

The market

There are some 3,000 holiday camps in the UK, according to the British Holiday and Home Parks Association (BH&HPA), which in 2004 generated some £173.5m in tourist revenue, according to VisitBritain.

The definition of a holiday camp ranges from individual and often family-run touring parks and camp sites to which you would typically take your own accommodation such as a tent or caravan, to full scale resorts with infrastructure such as housekeeping and food and beverage. Some 80% of the market is dominated by the smaller players, leaving around 600 larger holiday parks or resorts.

Key players

The biggest single player is Bourne Leisure, which in 2001 bought the UK holidays division of Rank Group for £700m, giving it control of Haven Holidays, British Holidays and Butlins.

Haven and British Holidays have 35 holiday camps between them. Butlins, from a heyday of 100 camps in the 1960s, now has "resorts" in Minehead, Skegness and Bognor Regis.

The other major player is the now publicly-listed Center Parcs, which operates four short-break holiday villages in Nottinghamshire, Wiltshire, Suffolk and Cumbria as well as sites in Europe.

Pontins, once owned by Butlins but now part of the empire of entrepreneur Trevor Hemmings, has eight sites around the UK.

Growth prospects

The sector's Hi-di-Hi image has been a notoriously tough one to shake off.

The rise of the cheap package holiday from the 1960s onwards sounded the death knell for the glory days of the holiday camp market and life has been tough ever since.

The arrival of Center Parcs in Sherwood Forest in 1987 transformed the sector, creating a more upmarket and aspirational image.

Center Parcs has reported rising occupancy figures, to 92.4%, and is planning to open a fifth site in Bedfordshire. At its half-year results in December 2004 it reported pre-tax profits of £20.1m, slightly up on the £19.5m posted at the same point the year before.

The foot-and-mouth outbreak devastated the holiday camp sector, just as it did so much of the hospitality sector, says Jon Boston of BH&HPA.

"It closed the countryside for the best part of a year, and particularly hit touring parks," he says.

But since then trade has bounced back. The sector was less badly affected by the fall-out from 9/11 and the Iraq war than many, and may even have benefited.

"There was a time when people looked at UK holidays as being a safer option," argues Boston.

In 2002, trips to holiday parks, camping and caravan holidays rose to a record level of 17.3 million, the equivalent of one in five UK holiday bednights.

Key trends

Alongside the shift upmarket, holiday camps over the past few years have spent much more time and effort on niche marketing, promoting themselves to specific sections of the population, family holidays, adult-only holidays, activity breaks and so on.

The growth of budget airlines has been another recent challenge but, argues BH&HPA's Boston, has not had the completely negative effect that might have been expected.

"Budget airlines have caused holiday patterns to change. There is a trend now towards more short-term breaks rather than one long break in the summer. So people may take a few days in, say, Nice but they may also then want to spend time in a holiday park with the whole family in the summer," he says.

Research from Mintel has suggested that such short-breaks now account for more than half of all holiday visits in the UK, and that the market for these is increasing steadily. Alongside this, the UK tourist has become increasingly demanding and quality driven, suggests Boston.

"People are much more discerning about what they want from their main holiday," he adds. "If there is a pool, for instance, it must be a very good pool."

On the food side, the demand for healthier options, even during short-break holidays, has been probably the most noticeable trend in the past two years, says Gary Johnson, catering and development manager at Butlins.

"Our guests are keen to know more details about their food options; the fat content and the calorie count. Guests want to know that they have a choice, that they can have a treat as they are on holiday but also a few healthy meals," he says.

The result has been the introduction of salad bars, more nutritional guides and a drive to cut down on less healthy food, particularly on children's menus.

There has also been a drive to bring in high-street catering brands, which in turn can bring better customer recognition, economies of scale and consistency of quality.

Bourne Leisure, for instance, has tie-ups with Burger King and Harry Ramsden's. Center Parcs, too, has placed a big emphasis on offering restaurant quality food rather than simply burgers and chips.

Future prospects

Planning restrictions, either on new sites or the expansion of existing sites, are a major issue for the sector going forward, argues BH&HPA's Boston.

Much of the growth of the market, therefore, is coming from increased sophistication, niche marketing and expanding the number of weeks that are filled.

"It used to be that spring and autumn were quiet, but now occupancy levels in those periods are much higher," he says.

Even at the more basic campsite end of the market, operators now commonly need to offer customers some form of café, restaurant, bar or food provision.

"People want something where they can get a taste of the outdoors but it is not too formidable. They want to be able to go and get breakfast or have somewhere where they can go and have a drink in the evening," he says.

Another intriguing pointer, indicative yet again of the increasing blurring between so many of the different arms of the hospitality trade, is the opening in summer 2005 [August] of Butlins' first resort hotel, the 160-bedroom Shoreline Hotel, in Bognor Regis.

There are also clear signs that, much as in the hotel sector, venture capitalists and City investors are now taking a close interest in the sector.

Center Parcs, for instance, before it went public, was owned by private equity firm MidOcean Partners.

Source: CatererSearch

Time Use Survey

We mostly sleep, work and watch TV

	Hours and minutes per day	
	Males	Females
Sleep	8.04	8.18
Resting	0.43	0.48
Personal care	0.40	0.48
Eating and drinking	1.25	1.19
Leisure		
Watching TV/DVD and listen to radio/music	2.50	2.25
Social life and entertainment/culture	1.22	1.32
Hobbies and games	0.37	0.23
Sport	0.13	0.07
Reading	0.23	0.26
All leisure	5.25	4.53
Employment and study	3.45	2.26
Housework	1.41	3.00
Childcare	0.15	0.32
Voluntary work and meetings	0.15	0.20
Travel	1.32	1.22
Other	0.13	0.15

Notes

People aged 16 and over.

Time spent on main activities: by sex, 2005, GB

An average of 142 minutes was spent on housework in Great Britain in 2005 – 30 minutes less than in 2000. Seventy seven per cent of men and 92 per cent of women spent some time each day doing housework (compared with 86 per cent and 96 per cent respectively in 2000).

The three main activities carried out by people in Great Britain in 2005 were sleeping, working, and watching TV and videos/DVDs or listening to music. These activities take up more than half the day (13 hours and 38 minutes out of the 24 hours available). About a third of the day was spent sleeping. Men were more likely to watch TV or listen to the radio and to take part in other activities (sport, entertainment, hobbies and using the computer). Women are more likely than men to spend time reading or spend time with other people.

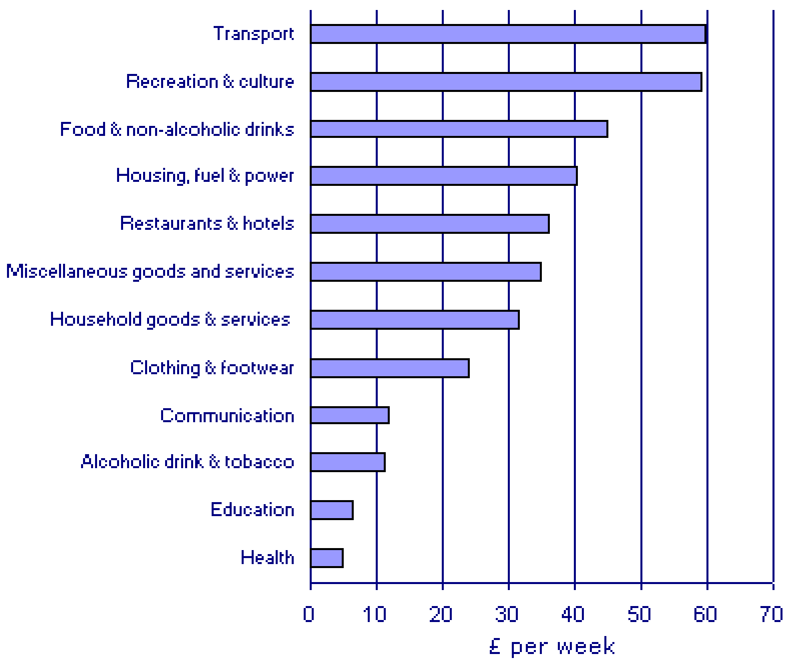
The distribution of activities varied during the week. At the weekend, both men and women spent more time sleeping and participating in leisure activities and men spent more time on domestic work (161 minutes compared with 116 minutes on weekdays). The difference was due to more time being spent on repairs and gardening and shopping and appointments at the weekend.

Men have on average 30 minutes more free time than women although this is to some extent compensated for by the extra 20 minutes women spend sleeping on average. Less free time is enjoyed by men and women when there are children in the household. Men aged 16-49 with children of pre-school age have 231 minutes free minutes compared to 348 minutes for those without dependant children.

Source: 2000 and 2005 Time Use Survey, Office for National Statistics

Family Spending

Households spend £434 per week



Average weekly household expenditure on main commodities and services, 2004-05, UK

UK households spent an average of £434 per week in 2004-05. Transport was the highest category of spending, with an average spend of £60 a week. This included £25.10 on buying vehicles, £26.40 on the operation of personal transport (such as petrol, diesel, repairs and servicing) and £8.10 on transport services such as rail, tube and bus fares.

The second highest category was spending on recreation and culture, at £59 a week. This includes TVs, computers, newspapers, books, leisure activities and package holidays. On average, £12.10 per week was spent on package holidays abroad, compared to 90p per week on package holidays in the UK.

Food and non-alcoholic drink purchases contributed £45 to weekly household expenditure - £10.20 of which went on meat, £3.20 on fresh vegetables and £2.60 on fresh fruit. Non-alcoholic drinks accounted for £3.80 and £2 was spent on chocolate and confectionery each week.

Average weekly household expenditure was highest among households consisting of three or more adults and children, £686 a week. The lowest expenditure was reported among one person retired households who were mainly dependent on the state pension, £133.40. Households with two adults and two children spent an average of £624 a week.

Expenditure also varies with the age of the household reference person. Those households where the reference person was aged 30 to 49 spent the most, on average, at £537 a week. Those where the reference person was aged 75 had the lowest average household expenditure, £193 per week.

Averaged over the three years from 2002-03 to 2004-05, households in the UK spent £420 per week. Expenditure varied from £484 a week in London (15% more than the UK average) to £346 a week in the North East. London, the South East and the East of England were the only regions in which the average expenditure was higher than the UK average. Spending in the North East was 18 per cent lower than the UK average.

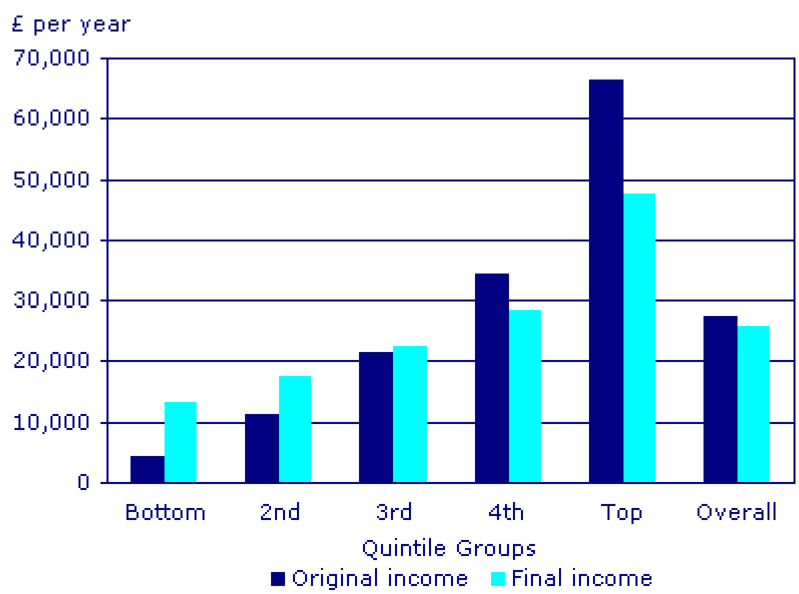
Source: Expenditure and Food Survey, Office for National Statistics

Notes:
All amounts are rounded to the nearest 10p.

Published on 29 November 2005 at 9:30 am

Household Income

Top fifth 4 times better off than bottom fifth



Average income per household, 2004/05, United Kingdom

In 2004/05, the original income (before taxes and benefits) of the top fifth of households in the UK was around sixteen times greater than that for the bottom fifth (£66,300 per household per year compared with £4,300). After adjusting for taxes and benefits this ratio was reduced to four to one for final income, unchanged from previous years.

Some types of household gain more than others from this redistribution. Retired households pay less in tax than they receive in benefits and so gain overall. For example, retired households with one adult have average original incomes of £4,200 but final incomes of £12,100. Among non-retired households, single adult households with children also gain as to a lesser extent do two adult households with three or more children. All other types of non-retired households pay more in tax than they receive in benefits.

Cash benefits such as Income Support, Child Benefit, Incapacity Benefit, and the state Retirement Pension play the largest part in reducing income inequality. They go predominantly to households with lower incomes. Cash benefits make up 60 per cent of gross income for the poorest fifth of households, 36 per cent for the next group, falling to 2 per cent for the top fifth of households.

With the exception of Council tax and Northern Ireland rates, direct taxation is progressive; that is it takes a larger proportion of income from those households that have higher gross incomes. In 2004/05, the top fifth of households paid 25 per cent of their gross income in direct tax while the bottom fifth paid 10 per cent.

Indirect taxes are regressive, taking a higher proportion of income from those with lower incomes. For the top fifth of households, indirect taxes account for only 11 per cent of gross income, compared to 27 per cent for the bottom fifth. Since direct and indirect taxes have opposite effects on the level of inequality, the tax system as a whole has a much smaller effect on inequality than cash benefits.

Final income includes an adjustment for the receipt of benefits in kind from the state, such as health and education services. Households with lower incomes tend to receive more benefits in kind from the state (£6,500 for the bottom fifth compared to £3,800 for the top fifth). Retired households and households with children, which are more likely to be in lower income groups, are the biggest users of state health and education services.

Source: Office for National Statistics

Households are ranked by equivalised disposable income.