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International Markets Bureau

MARKET INDICATOR REPORT | DECEMBER 2011

Foodservice Profile

Western Europe

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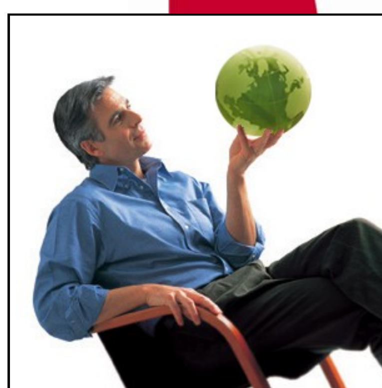

Growing Forward

Canada

INTRODUCTION

In 2010, the Western European* consumer foodservice industry was valued at US$527 billion. This industry encompasses the categories of full-service restaurants, cafés/bars, fast food, 100% takeaway/home delivery, self service cafeterias, and street stalls/kiosks. While the composition of the industry varies by country, the overall sector is relatively large and mature. This report will provide an overview of the industry in Western Europe as a whole, while highlighting five key markets: France, Germany, Italy, Spain and the United Kingdom (U.K.).

The consumer foodservice industry experienced significant impacts from the 2008 global recession. Throughout Western Europe, foodservice operators struggled to increase their sales as consumers exhibited budgetary restraint, due to an unfavourable economic climate and a rise in unemployment rates. France experienced the industry's worst performance in over a decade, and many foodservice operators throughout Western Europe saw sales weaken further.

MARKET OVERVIEW

The size of the Western European foodservice sector declined 3.8% from 2009 to 2010, and Euromonitor predicts a compound annual growth rate (CAGR) of -7.5% over the next five years.

Western Europe Consumer Foodservice Market Sizes, Historic and Forecast, Value in $US millions Constant 2010 Prices, Fixed 2010 Exchange Rate

2009	2010	2011	2012	2013	2014	2015
545,033.7	527,213.8	518,661.1	514,880.1	513,798.1	514,210.7	515,239.5

Source: *Euromonitor, 2011*

**Note: For the purposes of this report, Western Europe refers to the countries under Euromonitor International's definition, and consists of: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and the United Kingdom.*

INSIDE THIS ISSUE

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Reductions will be seen in full-service restaurants and cafés/bars, while small increases are expected in the fast food category as consumers search for more affordable, less time-consuming options. Self-service cafeterias, 100% home delivery/takeaway, and street stalls/kiosks are expected to remain fairly stable, with little change in their market size over the next three years.

Western Europe Foodservice Market Sizes by Subsector
Historic and Forecast, Value in $US millions
Constant 2010 Prices, Fixed 2010 Exchange Rate

Subsector	2007	2008	2009	2010	2011	2012	2013
Full-Service Restaurants	258,159.3	247,589.3	232,246.3	225,404.3	222,117.9	220,702.5	220,347.8
Cafés/Bars	207,766.5	200,025.0	185,897.7	174,631.8	168,332.3	164,642.1	162,528.4
Fast Food	72,032.1	72,776.4	74,385.9	75,116.7	76,029.4	77,137.4	78,218.0
100% Home Delivery/Takeaway	29,081.0	29,175.9	28,598.5	28,661.0	28,863.9	29,080.3	29,300.1
Self-Service Cafeterias	15,446.7	14,994.0	14,152.9	13,708.6	13,672.6	13,697.4	13,773.2
Street Stalls/Kiosks	10,142.3	9,859.5	9,752.5	9,691.4	9,645.0	9,620.5	9,630.6

Source: *Euromonitor, 2011*

Negative economic growth until 2015 could significantly impact consumers' behaviour towards the foodservice industry, creating pressure for price reductions, discounts and "value meals." Additionally, with independent outlets making up a significant part of the foodservice industry, they will be directly impacted by the lack of market growth, giving opportunity for better-established, less-risky franchises to step into the market.

FOODSERVICE SPENDING

The Western European consumer foodservice sector has a different structure than that found in North America. While both markets are dominated by full-service restaurants, the cafés/bars segment is the second-largest subsector in Western Europe, with a 33% share, as compared to fast food in North America (42%). Fast food only represents 14% of the market in Western Europe. While the composition of the foodservice industry has not changed significantly over the past decade, the recent recession has seen consumers shift some of their purchases from full-service restaurants and cafés/bars, to fast food and home delivery options.

Foodservice Spending in 2010 by Subsector, Western Europe vs. North America
Value in $US millions, and % of Total Foodservice Spending

Subsector	Western Europe	% of total	North America	% of total
Full-Service Restaurants	225,404.3	43%	407,552.0	42%
Cafés/Bars	174,631.8	33%	88,297.7	9%
Fast Food	75,116.7	14%	407,655.4	42%
100% Home Delivery/Takeaway	28,661.0	5%	38,085.0	4%
Self-Service Cafeterias	13,708.6	3%	4,123.0	0.43%
Street Stalls/Kiosks	9,691.4	2%	22,527.9	2%
Total	527,213.8	100%	968,241.0	100%

Source: *Euromonitor, 2011*

Household consumer expenditure saw an overall decrease in Western Europe of 0.2% between 2005 and 2010. Such a decrease was mostly due to the global economic downturn. Spain is considered to be one of the hardest hit countries, showing a decrease of 8.2% during the 2005-2010 period. The International Monetary Fund (IMF) estimates that Spain will be one of the slowest economies to recover from the recession. With a current unemployment rate of over 20%, Spain is expected to be the only economy that won't see increases in household consumer expenditures during the 2010-2015 period. Stronger economies such as Germany and France will see small but positive growth in household consumer expenditure. Overall, Euromonitor forecasts household consumer expenditures in Western Europe to grow by 3.2% over the 2010-2015 period.

Consumer Expenditure by Select Western European Country
US$ Per Household, Constant 2010 Prices, Fixed 2010 Exchange Rates

Geographies	Household Consumer Expenditure			Growth	
	2005	2010	2015	2005-2010	2010-2015
France	53,784.0	54,889.4	56,597.3	2.1%	3.1%
United Kingdom	52,034.8	50,854.8	53,054.2	-2.3%	4.3%
Italy	53,385.4	50,684.0	51,376.7	-5.1%	1.4%
Spain	51,177.7	46,999.5	46,105.7	-8.2%	-1.9%
Germany	45,966.7	44,873.2	45,566.9	-2.4%	1.5%
Western European average	48,806.0	48,718.9	50,264.3	-0.2%	3.2%

Source: *Euromonitor, 2011*

KEY MARKETS IN WESTERN EUROPE

The foodservice markets in Spain, Italy, the United Kingdom, France and Germany did not see any growth between 2005 and 2010. While it is expected that all five countries will experience another negative growth period through to 2015, it is forecast to be at a lesser rate (Euromonitor).

Western Europe Foodservice Market Sizes by Select Country, Historic and Forecast
Value in US$ millions, Constant 2010 Prices, Fixed 2010 Exchange Rates

Geographies	Market Size			Growth	
	2005	2010	2015	2005-2010	2010-2015
Spain	121,427.7	110,524.2	105,226.7	-9.0%	-4.8%
Italy	106,092.3	101,779.7	98,264.0	-4.1%	-3.5%
United Kingdom	91,616.7	83,392.2	80,297.4	-9.0%	-3.7%
France	64,691.8	62,079.5	61,463.4	-4.0%	-1.0%
Germany	40,395.2	38,252.5	37,973.5	-5.3%	-0.7%

Source: *Euromonitor, 2011*

In Italy, full-service restaurants and self-service cafeterias lost much of their clientele to less expensive outlets. Many consumers of high-end restaurants switched to chain-type restaurants, while those frequenting chains traded down to fast food. Similarly, the U.K.'s fast food industry saw a growth of over 2% in value terms in 2009, while chained and independent operators struggled in terms of outlet numbers, declining over 2% during 2009. France's decline in gross domestic product (GDP) and consumer confidence index was reflected in consumer foodservice transactions dropping by 3%, the worst performance over the past decade.

Western Europe Foodservice Market Sizes by Select Country and Type
Value in US$ millions, Constant 2010 Prices, Fixed 2010 Exchange Rates

Categories	France	Germany	Italy	Spain	United Kingdom
Consumer Foodservice	62,079.50	38,252.50	101,779.70	110,524.20	83,392.20
100% Home Delivery/Takeaway	1,069.60	1,306.90	12,956.20	1,025.90	8,854.40
Cafés/Bars	9,539.90	4,795.80	23,286.30	73,004.10	22,684.10
Full-Service Restaurants	36,684.90	17,099.10	58,410.20	31,716.40	24,272.70
Fast Food	12,114.40	11,075.60	4,618.50	4,190.70	21,350.80
Self-Service Cafeterias	1,997.90	2,239.30	1,878.50	215.00	1,706.90
Street Stalls/Kiosks	672.80	1,735.80	630.00	372.10	4,523.30

Source: *Euromonitor, 2011*

FRANCE

The full-service restaurant category had the largest share of the French industry, with almost 60% of the total foodservice market in 2010. It was followed by cafés/bars and fast food, with shares of 15% and 19%, respectively. Self-service cafeterias, 100% home delivery/takeaway, and street stalls/kiosks were not particularly popular in France, sharing a total of 6% amongst the three categories.

In 2009, a large number of cafés/bars and some full-service restaurants closed during the first months of the year, reducing the overall number of outlets. These closings, along with the increase in quicker and more convenient products provided by fast food restaurants, allowed this category to increase significantly. Full-service restaurants and fast food now represent the largest and second-largest categories, in terms of market size. Despite French consumers' preference for traditional independent boulangeries serving a range of bread, pastries and coffee, it is expected that many small cafés/bars and full-service restaurants will be closing by the end of the year.

Source: *Shutterstock*

French Foodservice Market Sizes by Type, Value in US$ millions, and % of Total Foodservice				
Categories	**Market Size**		**% Growth**	
	2010 Value	**% of Total**	**2005-2010**	**2010-2015**
Consumer Foodservice	62,079.5	100.00%	-0.04	-1.0%
100% Home Delivery/Takeaway	1,069.6	1.72%	0.36	27.0%
Cafés/Bars	9,539.9	15.37%	-0.24	-13.1%
Full-Service Restaurants	36,684.9	59.09%	-0.09	-6.5%
Fast Food	12,114.4	19.51%	0.42	22.0%
Self-Service Cafeterias	1,997.9	3.22%	-0.02	-1.5%
Street Stalls/Kiosks	672.8	1.08%	0.18	15.3%

Source: *Euromonitor, 2011*

GERMANY

Full-service restaurants dominated the German foodservice sector in 2010, with a 45% share. It was followed by the fast food and cafés/bars subsectors, with 29% and 13% respectively.

Germany's GDP increased by 3.4% in 2010, following a drop of 5% in 2009 as a direct result of the global recession. While certain foodservice subsectors were not impacted immediately, changes in consumer behaviour will be reflected in the slower growth rates expected for 2010-2015 across all subsectors. In response to the economic recession, German consumers turned to a cocooning trend, preferring to cook at home or order in. They remain very price-conscious but are more and more willing to spend a bit more for good quality products. These changes will be reflected by the increase predicted for the 100% home delivery/takeaway category over the 2010-2015 period. Fast food is also expected to grow in the forecasted period, mostly due to its convenience and relatively lower prices.

German Foodservice Market Sizes by Type, Value in US$ millions, and % of Total Foodservice				
Categories	**Market Size**		**% Growth**	
	2010 Value	**% of Total**	**2005-2010**	**2010-2015**
Consumer Foodservice	38,252.5	100%	-5.30%	-0.73%
100% Home Delivery/Takeaway	1,306.9	3%	0.99%	0.35%
Cafés/Bars	4,795.8	13%	-4.94%	-0.20%
Full-Service Restaurants	17,099.1	45%	-13.64%	-4.74%
Fast Food	11,075.6	29%	9.07%	6.17%
Self-Service Cafeterias	2,239.3	6%	-5.40%	-7.19%
Street Stalls/Kiosks	1,735.8	5%	-0.02%	0.75%

Source: *Euromonitor, 2011*

ITALY

The full-service restaurant subcategory continues to be extremely popular in Italy, representing the largest share of the country's foodservice industry. Cafés/bars have the second largest market share with 23%. It is important to note, however, that despite having large shares of the foodservice market, these two categories were the worst affected over the 2005-2010 period by Italy's poor economic performance, each registering growth rates of about -5%. The fast food and self-service cafeteria subsectors are expected to show the best growth over the 2010-2015 period. Overall, however, it is expected that there will be an unfavourable climate in the Italian foodservice sector. Euromonitor International is expecting the industry to shrink by 3.4%.

Italian Foodservice Market Sizes by Type, Value in US$ millions, and % of Total Foodservice				
Categories	Market Size		% Growth	
	2010 Value	% of Total	2005-2010	2010-2015
Consumer Foodservice	101,779.7	100%	-4.06%	-3.45%
100% Home Delivery/Takeaway	12,956.2	13%	-2.28%	2.32%
Cafés/Bars	23,286.3	23%	-5.08%	-6.44%
Full-Service Restaurants	58,410.2	57%	-5.32%	-4.68%
Fast Food	4,618.5	5%	10.80%	6.89%
Self-Service Cafeterias	1,878.5	2%	4.17%	4.39%
Street Stalls/Kiosks	630.0	1%	-0.76%	2.54%

Source: *Euromonitor, 2011*

SPAIN

Spain's poor economic performance has resulted in Spaniards spending significantly less on foodservice, with little hope for better performance in the next five years. However, consumers still enjoy sharing meals on a regular basis, with eating out and socializing in bars as a large part of the Spanish culture. Due to this, cafés/bars is the largest subsector by far, representing 66% of the industry, followed by full-service restaurants with 29%.

International organizations are expecting Spain to have the slowest recovery from the economic crisis, which will have significant impacts on the consumer foodservice industry. Euromonitor predicts a slight 1% growth for fast food and an even smaller 0.5% growth for self-service cafeterias over the 2010-2015 period, with declines forecast for all other subsectors. Overall, Spain's consumer foodservice industry is expected to decline by just under 5% from 2010 to 2015.

Source: *Shutterstock*

Spanish Foodservice Market Sizes by Type, Value in US$ millions, and % of Total Foodservice				
Categories	Market Size		% Growth	
	2010 Value	% of Total	2005-2010	2010-2015
Consumer Foodservice	110,524.2	100%	-8.98%	-4.79%
100% Home Delivery/Takeaway	1,025.9	0.93%	17.81%	-4.72%
Cafés/Bars	73,004.1	66.05%	-11.08%	-6.87%
Full-Service Restaurants	31,716.4	28.70%	-6.82%	-0.90%
Fast Food	4,190.7	3.79%	8.86%	1.16%
Self-Service Cafeterias	215.0	0.19%	17.61%	0.56%
Street Stalls/Kiosks	372.1	0.34%	-3.75%	-0.27%

Source: *Euromonitor, 2011*

THE UNITED KINGDOM

The foodservice industry in the U.K. is one of the most diversified in Western Europe. Cafés/bars, particularly pubs, and full-service restaurants each have a strong presence, with fast food not too far behind. Sales growth remained limited or negative for most sectors, while self-service cafeterias, in contrast, expanded by 33% from 2005-2010.

Cafés/bars are expected to see the most significant decline over the forecast period, with -14% from 2010-2015. Fast food and street stalls/kiosks are expected to see a decrease of over 2% during the 2010-2015 period. Full-service restaurants and 100% home delivery/takeaway are the only subsectors anticipated to grow over the coming five years.

British Foodservice Market Sizes by Type, Value in US$ millions, and % of Total Foodservice

Categories	Market Size		% Growth	
	2010 Value	% of Total	2005-2010	2010-2015
Consumer Foodservice	83,392.2	100%	-8.98%	-3.71%
100% Home Delivery/Takeaway	8,854.4	10.62%	9.51%	3.63%
Cafés/Bars	22,684.1	27.20%	-24.84%	-14.17%
Full-Service Restaurants	24,272.7	29.11%	-5.36%	1.52%
Fast Food	21,350.8	25.60%	-3.52%	-2.13%
Self-Service Cafeterias	1,706.9	2.05%	33.14%	-0.95%
Street Stalls/Kiosks	4,523.3	5.42%	5.43%	-2.21%

Source: *Euromonitor, 2011*

INDEPENDENT VS. CHAINED OUTLETS

Most consumer foodservice outlets in all five highlighted countries are independently owned, despite chained operators holding a significant amount of total values sale. While independent outlets can benefit from their knowledge of the local economy and their clients, chained outlets benefit from stronger branding, marketing support and price promotions, which is highly advantageous, particularly during times of economic recession.

Source: *Shutterstock*

Western Europe Foodservice Market Sizes in 2010 by Select Country and Format Foodservice Value RSP in US$ millions, Constant 2010 Prices, Fixed 2010 Exchange Rates

Format	Country				
	France	Germany	Italy	Spain	United Kingdom
Consumer Foodservice	**62,079.50**	**38,252.40**	**101,779.70**	**110,524.20**	**83,392.20**
Standalone	51,708.50	31,124.30	78,641.90	89,815.90	68,175.60
Leisure	1,002.80	2,435.00	4,140.70	5,318.60	1,965.20
Retail	3,341.90	1,258.00	4,138.20	7,078.20	3,779.30
Lodging	4,310.40	2,044.00	10,632.40	4,936.30	6,584.70
Travel	1,716.00	1,391.10	4,226.50	3,375.20	2,887.40

Source: *Euromonitor, 2011*

TRENDS AND DEVELOPMENTS

Consumers across the region changed or limited their expenditures to fit their budget. Opting to cook at home, using ready meals, and choosing fast casual dining or 100% home delivery/takeaway, increased in frequency as the economic climate worsened.

Natural, Healthier Options and Exotic Flavours

Despite the limited or reduced spending in the foodservice industry, Western European consumers still signalled trends and preferences. Euromonitor reported that French consumers were not only seeking price convenience in their products, but health and originality as well. It is expected that French consumers will seek sustainable and natural products as the norm, and will demand healthier meals, including more organic options and reduced- or low-calorie offerings, from fast food chains. Additionally, French consumers are becoming increasingly interested in other cultures and ethnic culinary influences, with exotic foods appearing in packaged foods and restaurants to a greater extent.

Italian consumers also looked for healthier products, but still held convenience and value as top priorities. Foodservice operators responded to these preferences by offering menu options featuring fresh ingredients, salads, as well as vegetarian and lighter meal variations.

Source: *Shutterstock*

Spanish consumers are also demanding healthier menus as health concerns increase. Growth in the fast food subsector is positive but shrinking, and new legislation prohibiting fast food operators from offering gifts with children's meals will likely slow growth even further. Fast food companies will have to adapt to these new measures and address consumers' demands for healthier products. Self-service cafeterias have enjoyed growth, and are expected to continue seeing sales growth, as their menus typically offer consumers good value for their money.

Consumers in Germany showed a strong preference for products offering good value for their price, as well as organic menu options and "free from" products. Germany's population features one of the highest rates of vegetarianism in Europe (over 7 million), and along with a number of vegetarian-oriented restaurants, vegetarian plates are now more common in standard restaurants, and even fast food outlets. German consumers are also slowly moving away from more traditional foods, towards exotic flavours and cuisines. This could be as a result of their growing interest in health and wellness.

Food Intolerances

Sales of food intolerance products grew as consumers became more aware of such issues. Along this same trend, better-for-you products also saw growth, with such products now firmly in the mainstream (Euromonitor).

Source: *Shutterstock*

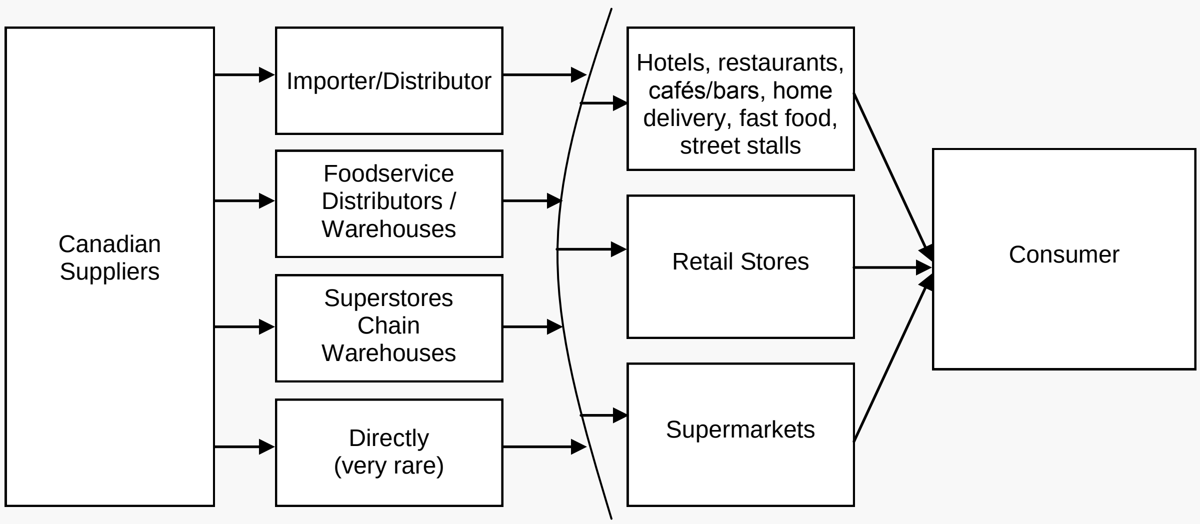
Attracting Clients with Innovative Ideas

Companies struggled to find innovative ideas to keep their clients in times of economic restraint. In Italy, companies attracted young consumers with non-core services such as offering free Wi-Fi Internet connections in certain outlets, with the intention of extending the consumer's stay. Foodservice companies in the United Kingdom offered promotional vouchers and discounts, in an effort to attract cash-strapped consumers to their outlets.

DISTRIBUTION STRUCTURE

Western Europe has a complex and modern supply chain structure. With the reduction in existing wholesalers, companies in the foodservice industry have learned to negotiate and buy their products directly from the retailers or manufacturer. Consequently, foodservice industry sectors such as restaurants, have become extremely dependent on the prices and availability of the suppliers. In many cases throughout Western Europe, large food companies will provide their product to local stores, and sell the remainder of the stock to smaller grocers or retail companies.

The chart below explains the transition/transfer of products from foreign suppliers to the consumer.



OPPORTUNITIES

There are a number of opportunities in Western Europe for Canadian producers and exporters. Although there are still lingering effects from the 2008 recession, the market is slowly recovering. Independent outlets are expected to continue struggling over the next couple of years, while chains will benefit significantly from their stronger brand recognition, marketing capabilities, and price promotions. Western European consumers are becoming more health conscious, presenting opportunities to export high-quality products and ingredients to foodservice outlets. Additionally, the increasing interest in natural, organic and fresher products presents further opportunities for Canadian producers.

Source: *Shutterstock*

The increase in awareness of food sensitivities and intolerance provides another area of opportunity. Western European companies have not yet been able to satisfy the need for products that address various food sensitivities, such as allergies to gluten. Canadians producers' experience in this area provides an opportunity to provide products and ingredients that meet these growing needs.

Exporters should be wary of the current state of the global economy and its potential impact on the consumer foodservice sector. While some Western European countries have not managed to improve their per capita GDP and are still struggling through a harsher economic climate, others are performing well. Exporters should review the state of the economy before exporting their products in order to guarantee and maximize profits.

RESOURCES

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Foodservice Profile – Western Europe

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