Global Food Service Industry Trends

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Overview of Today’s Discussion

- Cost of Energy
- Distribution Strategies
- Food Costs
- Low-entry Costs

Macro Trends
- Sustainability
- Labor
- Food Safety
- Government Oversight
- Buy Locally

Operational Trends
- Innovation
- Equipment Reliability
- Multi-functional Equipment
- Use of Technology
- Speed
- Total Cost of Ownership
Macro Industry Trends
Increased Government Oversight

- Governments worldwide are increasing their oversight of our industry
  - Energy-related Products Directive (ErP)
  - WEEE
  - RoHS
  - Dept. of Energy
Food Safety

- Is becoming a bigger and bigger issue as the global supply chain expands
  - More government intervention
  - New / expanded regulations
  - GMO → a growing issue / concern on a global basis
  - Bio-terrorism
Fresh Food

U.S. Convenience Store Space

**CURRENT**  Become Trusted Food Destination

- Bright Lighting
- Comfortable Temp. and Humidity
- Optimal Food Presentation

**FUTURE**  Increasingly Offer Complete QSRs

- Increase Prepared Food Sales
- Menu Variety Grows Sales

The average store does more than $350,000 per year in foodservice sales.

Source: National Association of Convenience Stores
Cost of Energy

- Those energy hogs in the kitchen
- Rapid growth of the middle class around the world
  - Global demand for energy is only going to increase
  - Prices for energy will rise … again, and again …
  - Look to technology to “save the day”
Sustainability

- **It is being driven by the end user / consumers**
  - Will pay more if they perceive that a restaurant is “sustainable”

- **Sustainability covers a lot of territory**
  - Resource utilization
  - Conservation
  - Waste management
  - Efficiencies
  - Organic foods
  - Sourcing practices
  - etc., etc.
Innovation = Focus on the End User

- Successful innovation comes from “listening”
- “Neat stuff” comes from within
  - A good idea is often not a good opportunity
- The end user/ operator is the only customer we all have!
Lack of “Qualified” Labor

- Is the foodservice industry all that appealing for workers?
  - Employee quality-related issues
  - Employee “quantity”-related issues
  - Training / education-related issues
  - Skilled technicians to fix and repair equipment

- We are perceived as being a “low-tech, low-intellectual” industry
Changing Distribution Strategies

- It’s all about providing “value”
- Value is determined by the customer, not the supplier
- The “Internet of Things”
Locals Buy From Locals

- On an international basis, local chains want to deal with local manufacturers
  - Even domestic U.S. chains, when expanding overseas, want to deal with “local” manufacturers
Operational Trends
Entry Costs for Operators

- Expansion pressures drive equipment decisions
- Looking for the lowest cost point of entry equipment package as possible
- This is often diametrically opposed to some of the other trends that are in play
Cost of Food

- Food costs continue to rise and are affecting foodservice operators around the world
  - Swine virus → drove pork prices up 45%
  - Drought → grain prices up, which has affected beef cattle stocks
  - High beef and pork prices have driven chicken prices up → chicken stocks remain the same
  - OECD report → world cereal and grain prices UP
Total Cost of Ownership

- Is tied directly into:
  - Energy efficiency
  - Sustainability
  - Product reliability
  - Service effectiveness and efficiency
  - Technology
  - Initial costs
Speed

- Speed of cooking
- Speed of cooling
  - They both support food safety criteria
  - Supports the needs of today’s consumers
Improved Reliability of Equipment

- Equipment down time = lost operator sales and profitability
  - Equipment needs to be kept at peak performance all the time
  - Technology can / will play a role in actualizing this
Growing Use of Technology

- End users/operators have rapidly embraced technology to:
  - Enhance their customers’ experiences
  - Garner sales and marketing data to help them improve their competitive positioning

- Equipment manufacturers need to find ways to integrate their equipment into these “systems”
Multi-purpose / Functional Equipment

- Supports the key components of good design → flexibility and modularity
- Kitchen space is a premium
So, What Does All of This Mean?

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Total Cost of Ownership
You Need to Morph From a Supply Chain Mentality to a Value Chain Mentality
The “Three-Sights” of Value Creation

Foresight
Expectations –
Hopes & Beliefs

Insight
What Makes a Company
Truly Unique

Cross-Sight
Unique Assets –
Current &/or to be Acquired
The Core Operating Values of the Future
These will all drive value to the customer.

DATA
The Internet of Things

Energy Management
Carbon Management
Waste to Resource
Currency

?? The ??
Unknown

Timely & Relevant Data

Equipment & Supplies Manufacturers

New Innovative Equipment, Systems, &/or Processes

Will result in the gradual transition from a supply chain mentality to a Value Chain operating environment.
Thank You!

Questions?

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