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Mobile Tech Drives Consumer Food Trend



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Quick read

- Existing and new market players are upgrading dining experiences by investing in new outlets and more sophisticated menus
- It adds up to improved profitability and traffic flows. Euromonitor reports that consumer foodservice grew 5.7% in 2015 up from 5.3%
- Fast casual dining is the strongest growing market segment
- Convenience is a hugely important influence on trends. Britain for example, will spend almost Stg£8 billion per annum on fast food takeaways by the end of the decade
- The convergence of food service and retail is expected to continue and will serve to drive divergence of tastes and experiences
- Demand for convenience will also be supported by the further adoption of food tech such as digital ordering and payment platforms
- Through the growth of social media and increased global affluence consumers will ultimately determine who sees a brand and how they see it
- As more people live through their smartphones, the ability of an operator to live there as well – through branding, social media, online ordering/payment, and delivery – will determine much of their success

Introduction

With the emerging positive global economic landscape, higher disposable incomes will enable consumers to spend more on dining out options. Existing and new market players are upgrading dining experiences by investing in new outlets and more sophisticated menus. This is resulting in improved profitability and traffic flow due to higher margin snacks, desserts and beverages.

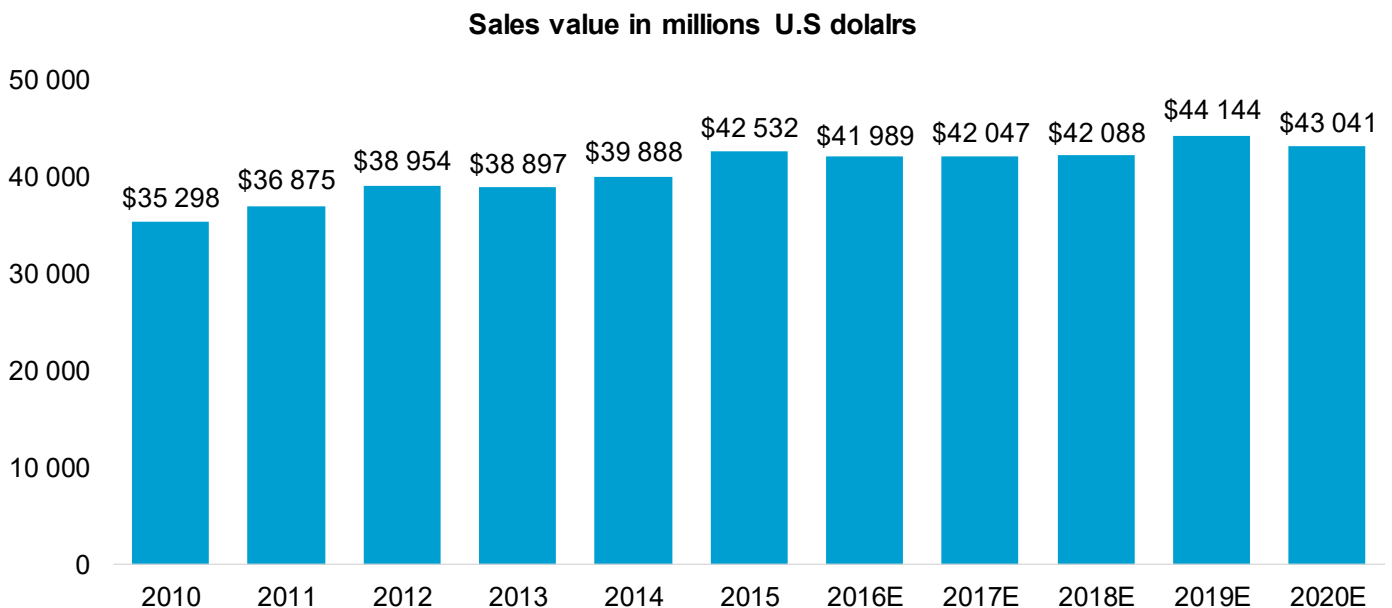
Global Growth

According to a Euromonitor International report (April 2016), consumer foodservice sales grew 5.7 percent globally in 2015, improving on the previous year's growth rate of 5.3 percent. Fast casual dining was the strongest growth segment across the industry at 10.4%, increasing US\$3.4 billion from 2014 to 2015.

By 2016, sales values of food service contractors in the United States for example, are projected to reach approximately US\$42 billion according to Statistica 2016.

Figure 1 below shows the sales and forecast value of food service in the United States from 2008 up to 2020.

Figure 1: Sales value of food service contracts in United States from 2008 to 2020 in US\$ million



Source: STATISTICA 2016



Convenience and the Role of Food Tech

Convenience is one of the most important factors for customers deciding where to order their food. With increasingly fast-paced lifestyles, the frequency of cooking at home, especially in an urban household is expected to decline. Time poor consumers will likely spend less time preparing their own meals, instead opting for the convenience provided by the growing multitude of options provided by the hospitality sector.

Britain for example, will spend almost Stg£8 billion per annum on fast food takeaways by the end of the decade. This will be driven by a surge in smartphone usage with time-pressed households cooking fewer meals. Spend on pizza, curry and Chinese food is expected to grow by 28% during this decade to £7.6 billion a year according to figures from Euromonitor International.

The convergence of food service and retail is expected to continue and will serve to drive divergence of tastes and experiences.

More restaurants will also offer meals to take away and there will be branded opportunities for leading restaurants to integrate with retail outlets. One driver of these changes will be a desire for more nutritional food 'on-the-go'. Dashboard dining is on the rise (25% of US drivers eat breakfast in the car) and car companies are including food and drink consumption considerations in their design process.

Mobile Technology the Key Food Tech

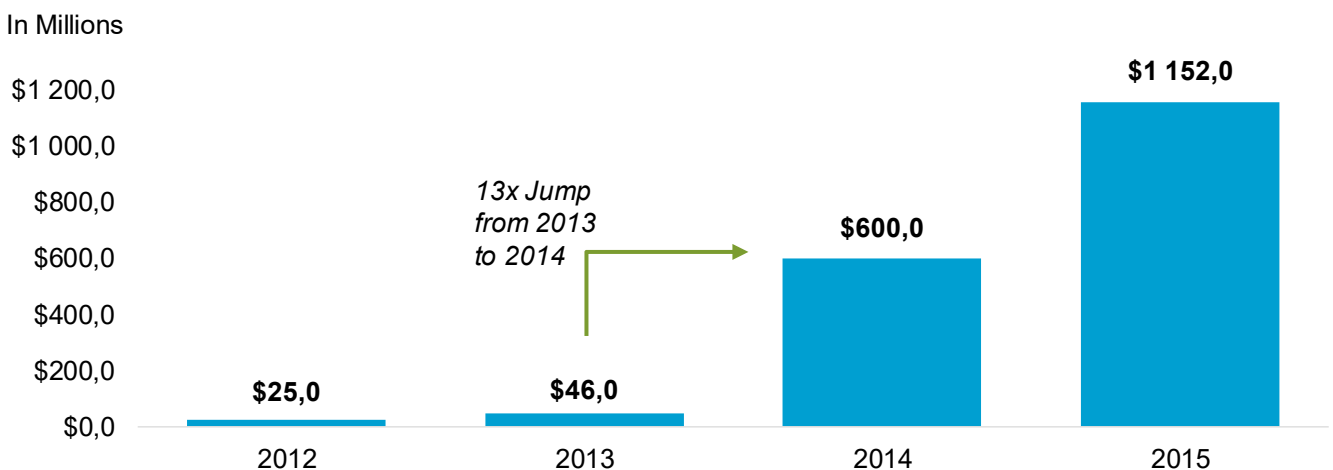
Demand for convenience will also be supported by the further adoption of food tech such as digital ordering and payment platforms. Digital makes ordering easier, removing steps from the process and giving customers the chance to track exactly where their meal is in the process of preparation for delivery.

International fast-food chains have been leaders in mobile technology and clearly demonstrate the potential for apps to boost customer loyalty. According to Starbucks CFO Scott Maw, 24% of Starbucks' orders were paid for using the company's app in the first quarter of 2016, compared with 21% in the fourth quarter of 2015. Another example is the recent adoption by Pizza Hut in the US of the motto "easy beats better."

Domino's Pizza exemplified the trend by reporting a 21% surge in its latest quarterly sales, to Stg£200m, with 75% of orders placed online and 61% of those made with mobile devices. App usage is a powerful tool for making ordering more convenient, boosting customer loyalty, and influencing how much money people are ready to spend.

As mobile order-ahead explodes into a US\$38 billion industry, food service companies need to get in the trend if they hope to stay competitive in the next decade. While just US\$46 million and US\$25 million

Figure 2: 2012 to 2015 Capital Inflows to Food Ordering Space (Thomson, CrunchBase, New York Times, Capital IQ, and Wall Street Research Reports)



Source: Thomson, CrunchBase, New York Times, Capital IQ, and Wall Street Research Reports



was invested in online food ordering companies in 2013 and 2012 respectively, an astounding US\$600 million was invested in 2014 and approximately US \$1.2 billion in 2015 (see figure 2).

The Changing Role of the Restaurants

Consumers are expected to influence the brand experience to a much higher degree. Through the growth of social media and increased global affluence consumers will ultimately determine who sees a brand and how they see it.

Digital innovation is at the heart of the transformation. The big changes focus on providing customers with more choice as to how they order and pay, adapting how the food is prepared and served and offering new technological features to create an environment that is more welcoming and enjoyable.

As more people's lives are lived on or through their smartphones, the ability of an operator to live there as well –through branding, social media, online ordering/payment, and delivery – will determine much of their success.

The rapid expansion of online ordering/payment and home delivery will continue to change the role of the outlet, from production centre to branding tool and distribution point. This is impelled by the ease of ordering food, using mobile applications and cash on delivery.

Conclusion

Existing and new market players are upgrading dining experiences by investing in new outlets and more sophisticated menus. Convenience is a hugely important influence on trends. Britain for example, will spend almost Stg£8 billion per annum on fast food takeaways by the end of the decade. Demand for convenience will also be supported by the further adoption of food tech such as digital ordering and payment platforms. As more people live through their smartphones, the ability of an operator to live there as well –through branding, social media, online ordering/payment, and delivery – will determine much of their success.



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