UK CC Trade Intelligence

Trade Insight and Opportunities for Irish Suppliers in the UK Contract Channels

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BORD BIA

Thinking House

Contract Catering UK Project Team



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Presentation Flow.

The UK Contract Catering Trade Intelligence Overview
Understanding the Channels
Insights by Channel
How Route to Market and Decision Making differ by Channels
Applying the Insights!

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The UK CC sector: The most important finding from this project









Target channel opportunities where differentiation is important!









The UK CC sector: The most important buyer information

Buyers want to buy. However, decision making is made more challenging by Brexit, Covid-19 and insolvencies.

UK Contract Catering:
Understanding the Channels

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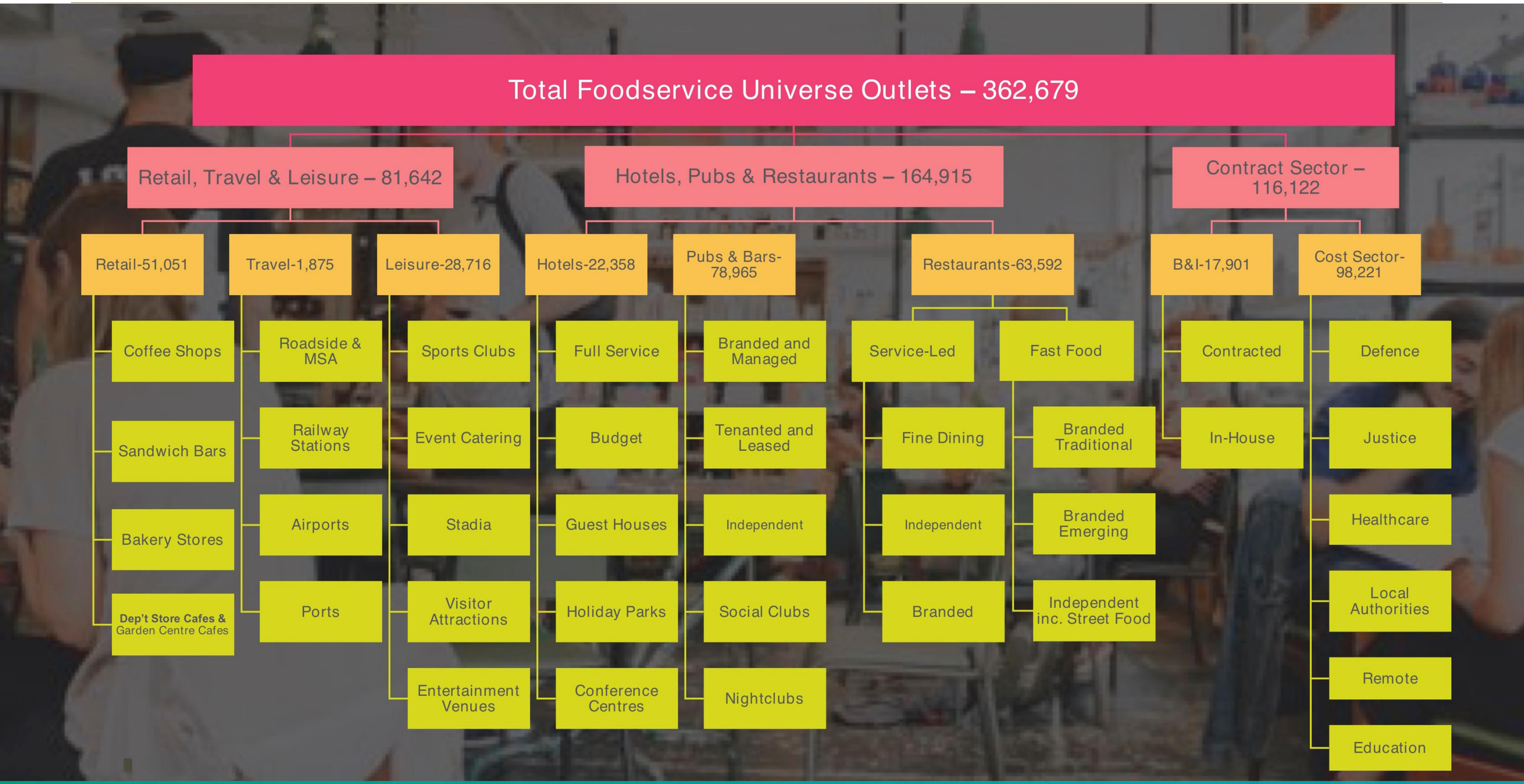
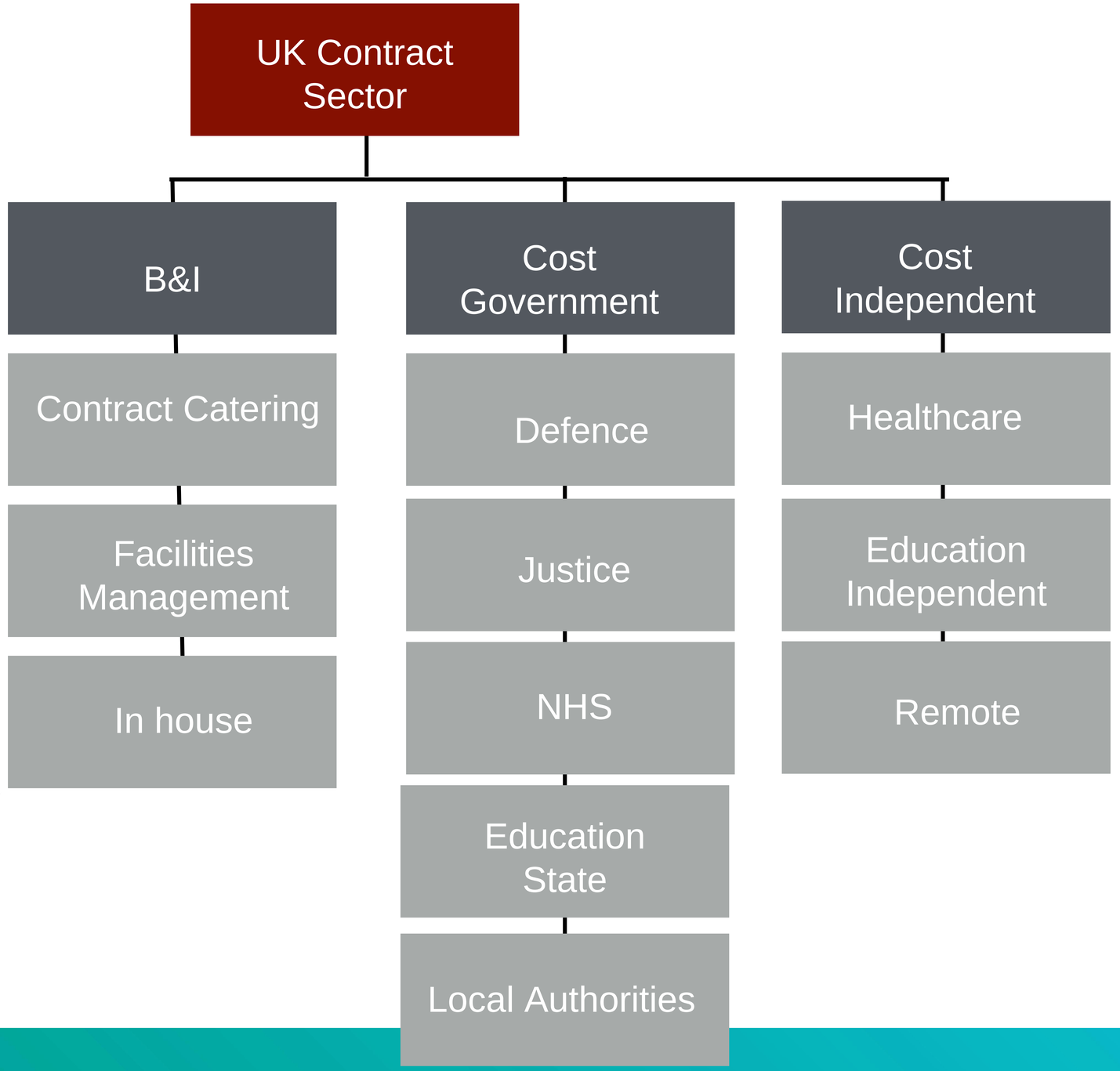
Standard categorisation of the foodservice landscape



Revised view of the UK CC world, broken out

The UK CC sector is highly intricate with a lot of players, third-party contracts, sub-channel dynamics, varying routes to market (RTM) and supply chains, end-users, turnkey solution providers, consumers, and customers. The channels in this contract space are unique with differing dynamics, companies, suppliers and cultures. Identifying opportunities that link back Bord Bia client companies is the most important aspect to success within this space.

Channels
There are a lot of different channels in UK CC including, factory or office canteens, concessions, industrial canteen, local authority school, NHS hospitals, care homes, private hospitals, meals service, meals on wheels catering, officers messes, remote oil drilling sites, school canteens, staff canteens, university dining halls. The list goes on!



Decision making process across the Contract Sectors - 2021/22

Future likely decision trees

Based on trade interview feedback a more normalised buying decision across the Contract sectors would see Risk lowering significantly down the tree with better options for Quality and differentiation of products. A much better opportunity for client companies. Focus still should be on the smaller or channel specific B&I clusters and Cost Independents area as a whole.

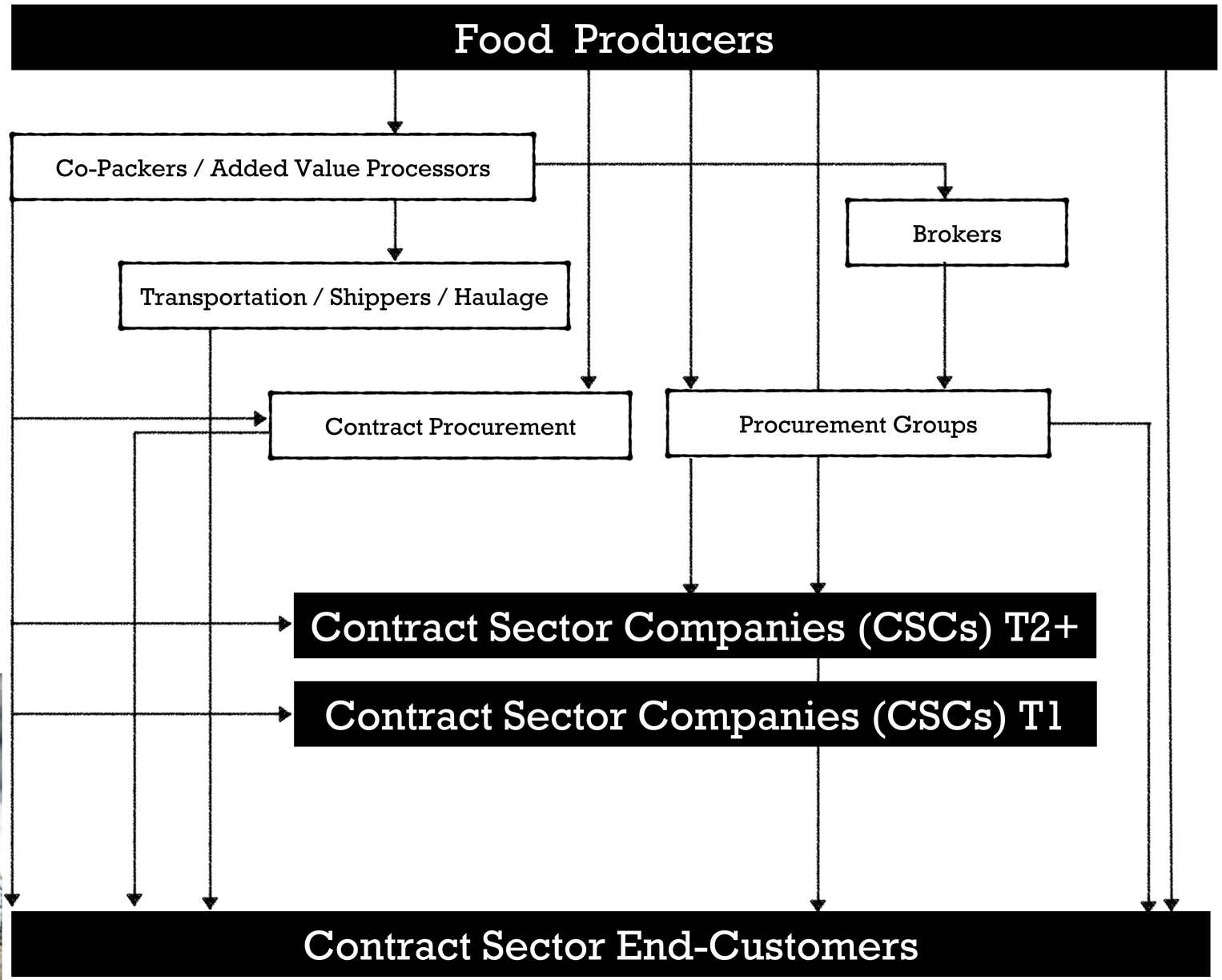
B&I T1	B&I T2+	Cost Government	Cost Independent
Price	Quality / Differentiator	Price	Price
Volume / Capacity	Price	Volume / Capacity	Quality / Differentiator
Quality / Differentiator	Volume / Capacity	Packaging Format	Packaging Format
Packaging Format	Packaging Format	Perceived Risk (New Supplier)	Volume / Capacity
Innovation	Innovation	Quality / Differentiator	Perceived Risk (New Supplier)
Perceived Risk (New Supplier)	Perceived Risk (New Supplier)	Innovation	Innovation

Contract Sector RTM overview

Lots of complexity across the Contract Sectors

Looking at the RTM channels for Bord Bia and the client companies, the complexity across the supply chain is very high. The diagram represents an extremely simplified version. There are added value manufacturers that commonly supply into smaller Contract Sector companies and two types of procurement companies that operate different models. The Contract side is focused on larger institutions commonly funded by the Government. The other is more independent / corporate focused.





UK CC operations & supply chain, dealing with change

UK CC operations: The practicality of dealing with covid

Social distancing: In the kitchen, staff room and dining areas.
Reducing contact: Kitchen staff, front of house staff, delivery staff and customers.
Extra hygiene measures: Increased hand washing and surface washing.
Working back to back or side to side, not face to face.
Working in fixed teams or partners to reduce contact.
Using screens or barriers between staff members and customers where possible.
Reduced menu options to keep things simple and more manageable.
Opening hours change to accommodate customers and adhere to social distancing.

Supply chain: The practicality of dealing with covid

Social distancing: In sites, staff rooms and communal areas.
Reducing contact: Warehouse staff, delivery staff and customers.
Extra hygiene measures: Increased hand washing and surface washing.
Supply: Reducing suppliers, limiting new lines.
Working in fixed teams or partners to reduce contact.

UK Contract Catering: Insights by Channel

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A few facts to start with…

67K
There are 67,000 UK contact catering companies operating in the UK.

74K
There are 74,000 UK Facilities Management companies operating in the UK.

26K
Educational companies operating across all the various supply types in the UK (Primary and Secondary)

18months
Average time to become a supplier through the NHS supply chains.

£1bn
Nearly £1bn was generated by ‘smaller’ companies in the UK CC space last year alone.

25%
Potential insolvency rate for UK CC companies by early 2021 for smaller companies,

Simple & Smaller
Offerings and product sizes are shrinking in B&I. Menu fatigue is becoming a new norm.

Five Trends
Price.
Uncertainty.
Less is more.
New Healthier.
Differentiation.

B&I operations, facing issues

B&I have faced significant difficulty this year and outlook for next is tough. Businesses have seen a downturn of 70-80% for 2020.

MGA, Mintel

Suppling institutions: During lockdown

In the first lockdown we provided 10,000 meals a day for adults and children in schools for key workers.

MD, UK CC, Education Company

In regions we were supplying 11,000 lunchboxes for ambulance staff. For larger trust sites we are supplying 2,000 lunch boxes per day.

NHS Food Distribution Company

Safer choices being made

“We are looking more to our incumbent suppliers to support us at the moment. Firefighting covid, lockdowns & uncertain supply doesn’t leave much time for anything else.”

Head Buyer - Contract Caterer

“We have had to evaluate sites we manage with covid safety measures to figure out our offers. Getting more complete products into the kitchen has been a help.”

Executive Chef - Contract Caterer

Kitchen spaces

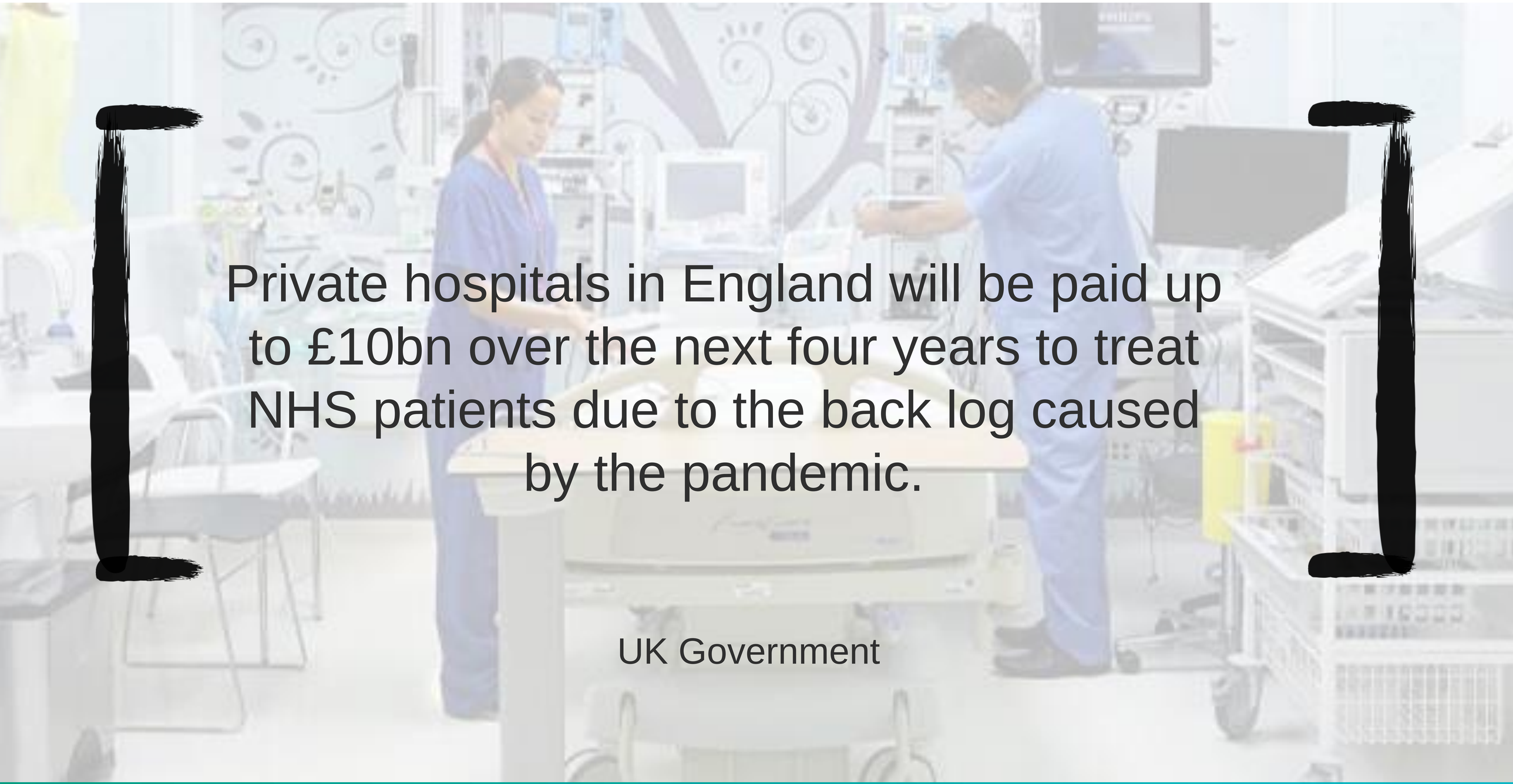


Buying decisions

“Price is the important thing to us. Then it is down to volumes, product consistency and quality. Post covid, having a reliable supply base is critical for us to get our business back up and running to something like normal.”

Sales Director - Contract Caterer

Opportunities in healthcare



Private hospitals in England will be paid up to £10bn over the next four years to treat NHS patients due to the back log caused by the pandemic.

UK Government

Office social spaces

“Employees will be hungry for a return to office-based social environments when home working begins to decline early 2021.”

Director, UK B&I, Healthcare & Education Company

Cost per meal - State



UK Contract Catering Sector Education

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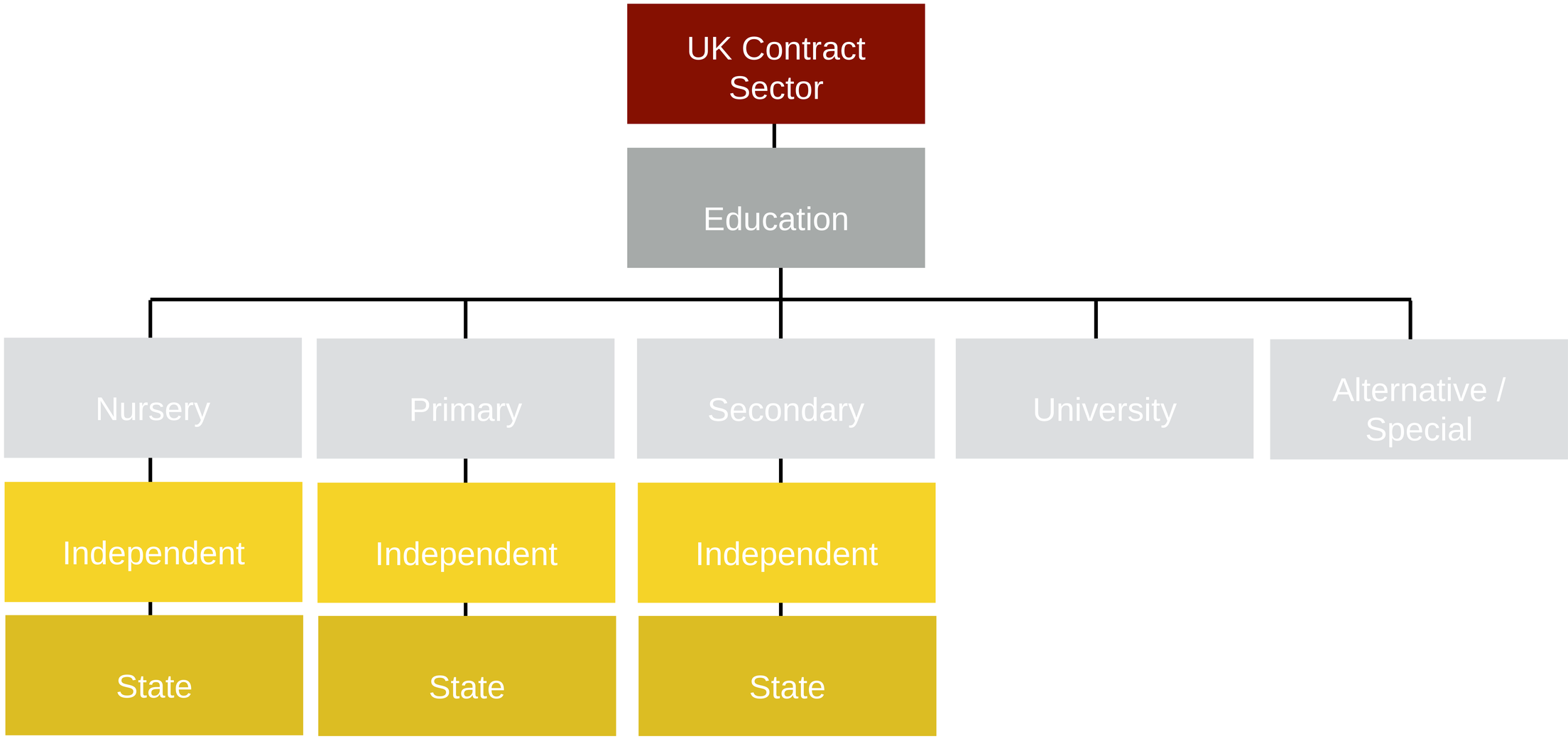
Education: Broken out



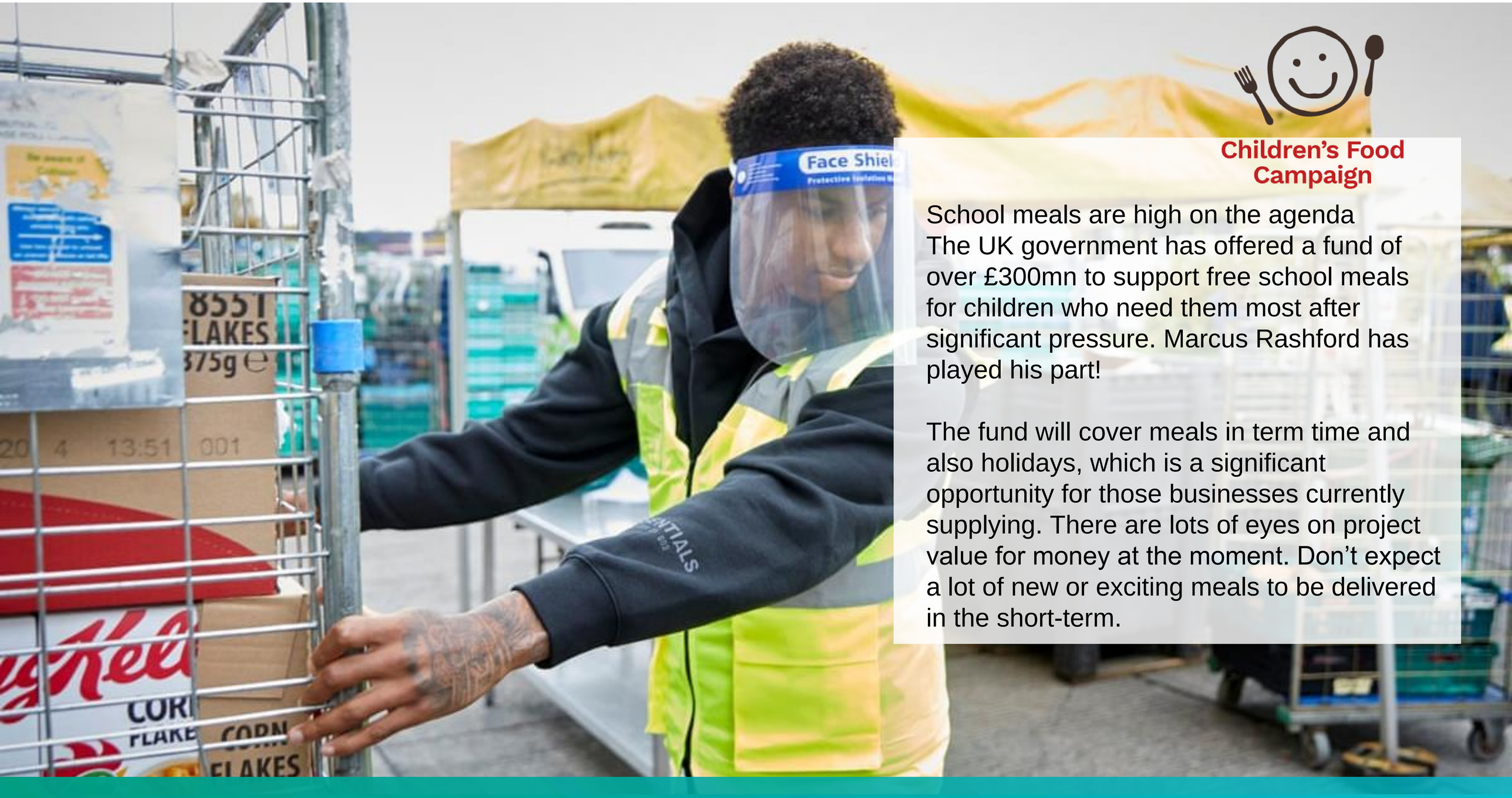
Education: Leading companies

A few of the leading players
ABM Catering
Accent Catering Services
Aspens
Caterlink
Chartwells
Catering Academy (Servest)
Catering by Churchill
Company of Cooks (CHCO)
Edwards and Ward
Taylor Shaw (part of Elior)
Harrison Catering Services
Holroyd
Innovate Services
Pabulum
Sodexo

Route to market & buying requirements

Independent	State	Universities
RTM A mix of national logistics, large UK CC and mid-sizes UK CC companies in this space all providing food and logistics. Fresh or chilled in this channel is highlighted as necessary. Smaller, niche companies are also used. **BUYING** Quality, health and taste are higher on the agenda. Price though is still the key. On initial engagement focuses on product differentiation with dedicated UK CC Education companies is essential.	**RTM** Majority of staples and ambient will be via UK national logistic companies (Bidfood and Brakes) or UK CC with wheels. In addition, local chilled or fresh will be from smaller players. Note the is on the rise! **BUYING** Price, price, price. Then volume, consistency and quality. With a low cost per meal to start with understanding, this mindset is vital. Also, the simplicity of meal / component is important.	**RTM** All food provision will be made via contract caterers and logistic partners, including Bidfood and Brakes. Targeting the CC companies will be the best way in as all food procurement will ultimately be signed off at this point. **BUYING** High volume, multi-channel (staff, student, guests) focus will be on price and overall offer. Meal or component sizes are essential.

Meals campaigns since the lock down started: Education



Children's Food Campaign

School meals are high on the agenda
The UK government has offered a fund of over £300mn to support free school meals for children who need them most after significant pressure. Marcus Rashford has played his part!

The fund will cover meals in term time and also holidays, which is a significant opportunity for those businesses currently supplying. There are lots of eyes on project value for money at the moment. Don't expect a lot of new or exciting meals to be delivered in the short-term.

JVs in education sector: Education



How big are UK Education contracts?

Chartwells landed a 2019 £5m, five-year contract to provide catering, hospitality and cleaning services to Merchiston School. The school has 450 pupils in attendance.

Chartwells
EAT LEARN LIVE

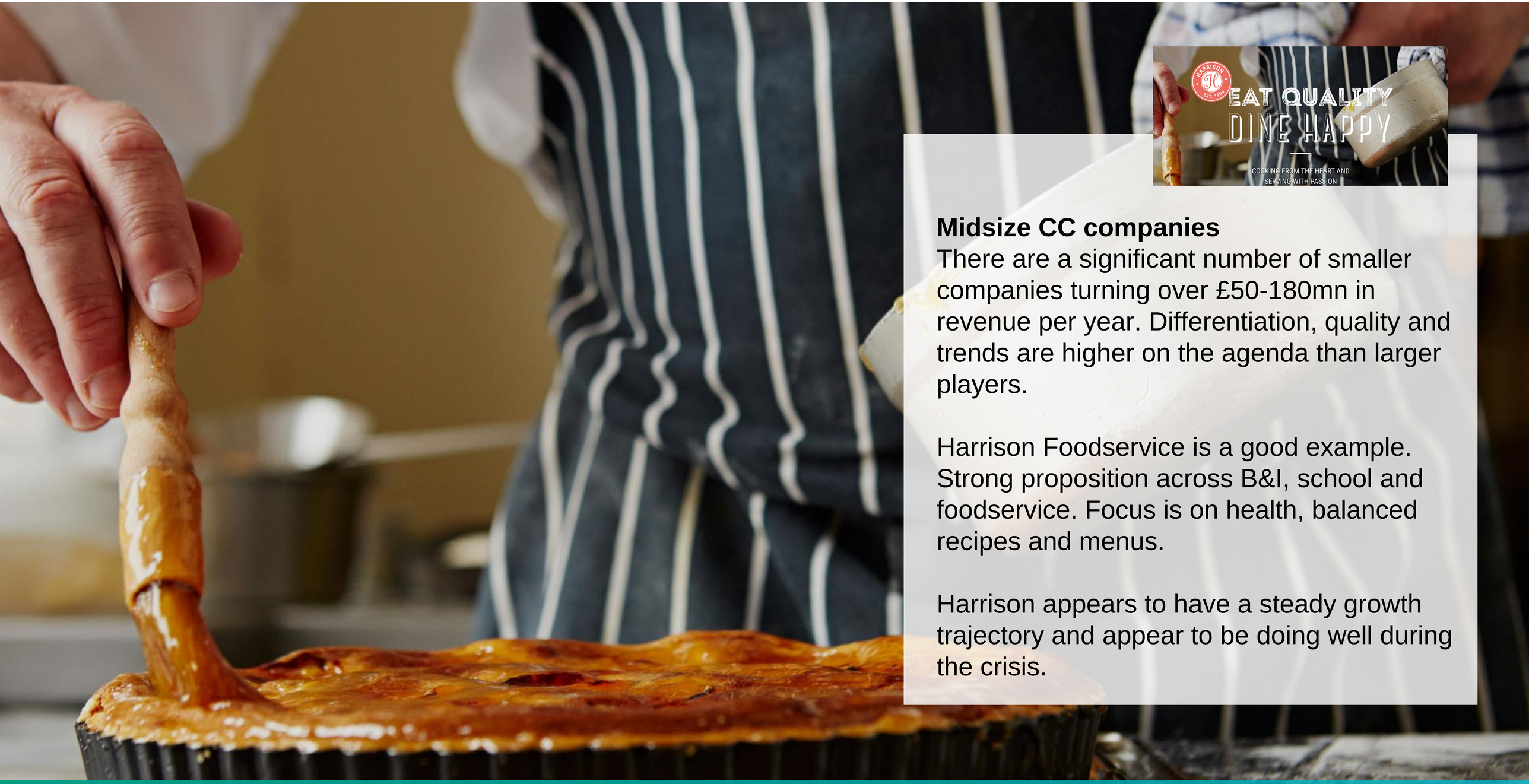
Contract Caterer JV with local council

A new joint venture between contract caterer Chartwells and Hounslow Council. £250,000 investment in a new production kitchen facility will produce meals for schools in the borough that don't currently have cooking facilities. This trend can be found across the UK at the moment.

The hub will also become a training centre for students and parents, and support schools in delivering cookery as part of the National Curriculum.

Note that Chartwells has a large multiyear contract with Hounslow Council.

Finding the right partners: Education



Midsize CC companies
There are a significant number of smaller companies turning over £50-180mn in revenue per year. Differentiation, quality and trends are higher on the agenda than larger players.

Harrison Foodservice is a good example. Strong proposition across B&I, school and foodservice. Focus is on health, balanced recipes and menus.

Harrison appears to have a steady growth trajectory and appear to be doing well during the crisis.

Finding the right partners: Education



Aspens
Aspens Services is a fast growth British owned and operated contract catering company. Specialist areas are in services to schools and colleges across the UK. Health, British, Local are all key food development trends for the company.

NPD teams work within contracts as well as to pitch for tenders and are a way into the company to start conversations. Health and free school meals are the way to initially approach specialist education catering companies in 2021.

Value proposition: How to approach the Education channel

Each channel and player within the channel needs to be approached in varying ways. Developing the right value proposition, hitting the key sales KPIs is important.

GENERIC OVERVIEW

Key Partners	Products	Proposition Types	Service	Customer market
• *Channel preference* • *Channel customers* • *Route to market* • *Sales plan* • *Product plan*	• *Hero products* • *Current products* • *New products* • *Portfolio link to channel, handler, end-user, customer*	• *Newness* • *Category gap* • *Performance* • *Customisation* • *Getting the job done* • *Price* • *Cost reduction / people / service* • *Convenience*	• *Supply assisted* • *Dedicated assisted*	• *Mass market* • *Niche market* • *Segmented* • *Diversified*

Independent	State
Price	Price
Quality / Differentiator	Volume / Capacity
Volume / Capacity	Perceived Risk (New Supplier)
Perceived Risk (New Supplier)	Packaging Format
Innovation (unless disruptive)	Quality / Differentiator
Packaging Format	Innovation (unless disruptive)

EDUCATION PROPOSITION STATE

- Price
- Health
- Cost reduction. Product & people
- Consistency
- Convenience
- Packaging solutions

EDUCATION PROPOSITION INDEPENDENT

- Quality, taste, newness
- Health
- Cost reduction. Product & people
- Consistency
- Packaging solutions
- Convenience

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UK Contract Catering Sector Health

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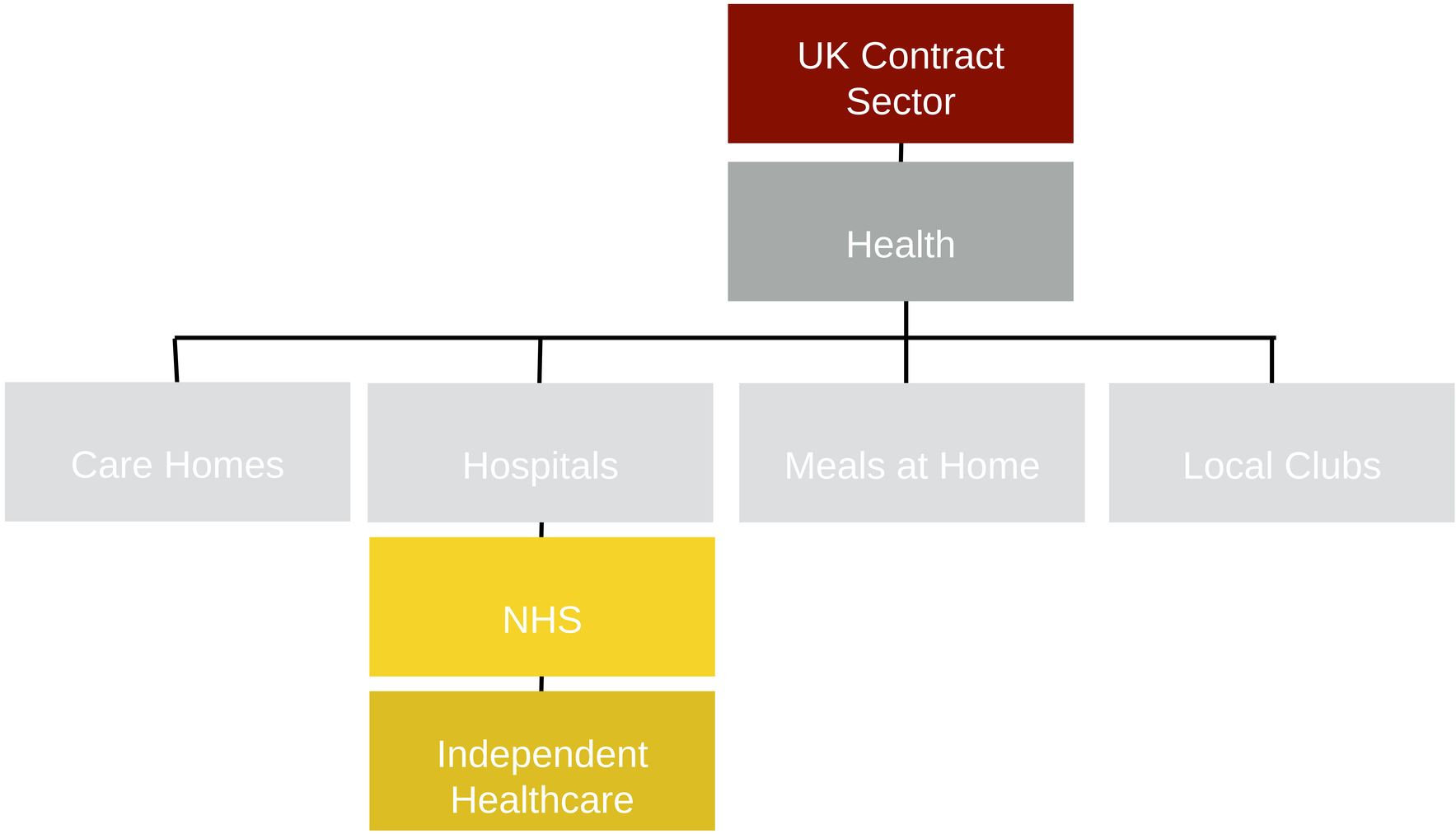
Health: Broken out



How many hospitals?

1,900

There were over 1.9k hospitals in the UK in 2019. With Emergency sites now likely to add to that number for 2020/2021.

1,257

NHS hospitals in the UK as of the start of 2019.

39

Spire Healthcare, the largest private hospital company in the UK, they run nearly 40 hospitals in the UK.

£10bn

Private hospital support packaging in place due to the NHS backlogs

Healthcare: Leading companies

A few leading players
NHS tenders
Foodbuy
Sodexo
Apetito
Aramark
HC-One
Spire Healthcare
BMI Healthcare (Circle Health)
Four Seasons Health Care
Barchester Healthcare
Ramsay Healthcare
HCA Healthcare
Healthcare At Home
ISS UK
Wiltshire Farm Foods
Oakhouse Foods
Blue Mountain
Selecta UK (Healthcare vending)

Route to market & buying requirements

Care Homes	Hospitals	Meals at Home
RTM Depending on size and scale, there is a mix of options used. More extensive contacts use national carriers including DHL, UPS, Brakes. Smaller groups use local, own procurement or wheels solutions.	**RTM** NHS contracts use Bidfood along with other national carriers. Other private hospitals use a mix of contractors or direct supply depending on products across chilled, frozen and ambient.	**RTM** Wheels are via the companies fleet. Franchise systems operating in several businesses offer van incentives.
BUYING Price, product types for patients, health, nutrition are all important aspects to position.	**BUYING** It is all about price, health, quality and consistency. Patient dietary and nutrition is important to understand.	**BUYING** Price is crucial, but so too is quality of the product. Private MAH requires a higher quality product.

Understanding the UK Healthcare system: NHS



The NHS

2019 the NHS spent over £600 million on hospital food, representing nearly 7% of the total costs of running the NHS estate. With such a massive spend on food, accountable to government scrutiny and public sector money, winning supply contracts does take time.

Note that there are opportunities to provide food for patients, visitors and staff. Each of these differs in terms of requirements as well as price points.



NHS supply? One place to start

If you want to be able to supply into the NHS, you will need to go through Foodbuy. The healthcare buying / procurement specialists, part of the Compass Group. They operate independently and more akin to a retailing model based on category buyers / directors. KPIs are all to do with price, efficiency, fewer lines and service levels. Initial engagement is likely to be high with a longer lag or response from buying teams.

Private sector care homes: Key players



Care Homes

HC One is the most extensive care home operator in the UK and operates a central planning team and recipe development team.

There are various recipe books. Chefs and staff meet regularly to check the dining experience, and the food served is up to scratch. This approach is more akin to retail / foodservice development and opens up opportunities to engage with the chef teams in the UK rather than individual sites.

Private sector healthcare: Key players



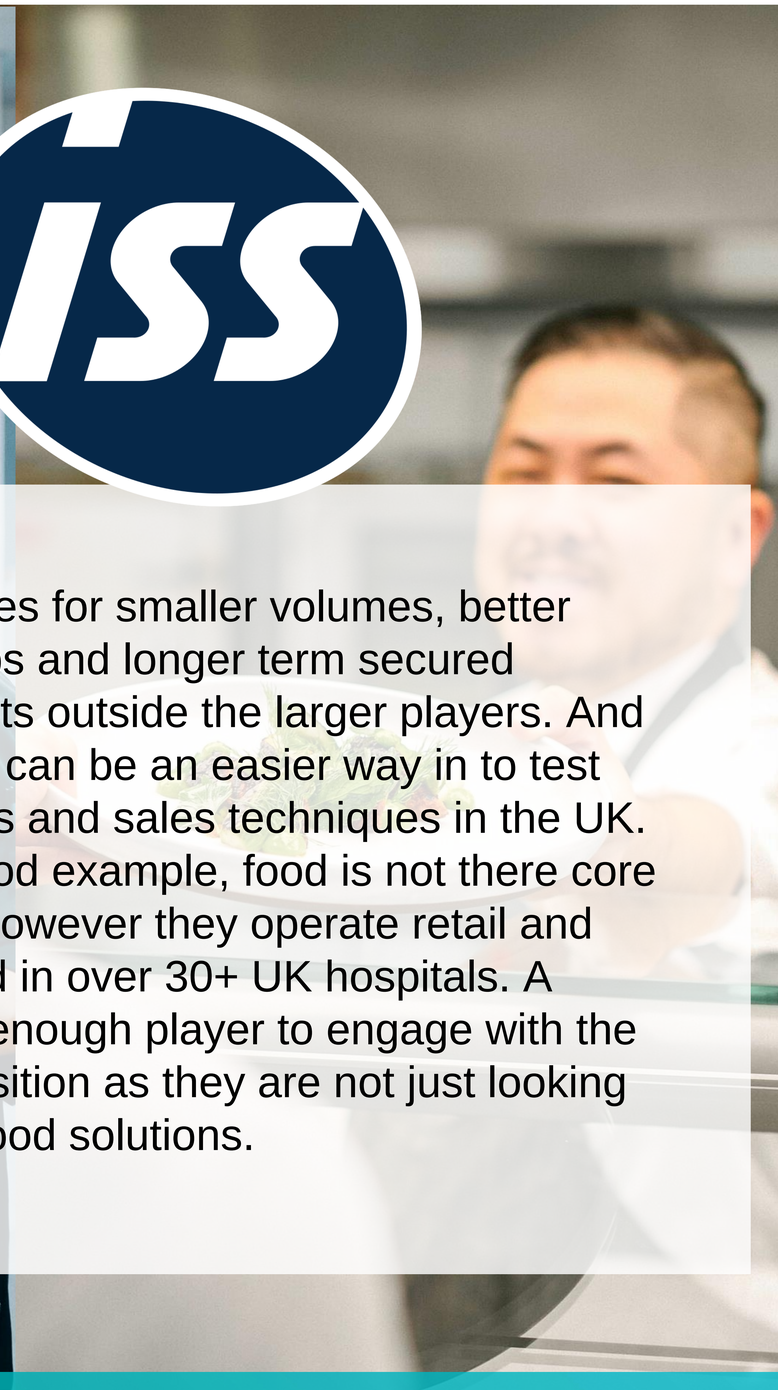
Spire Hospitals
Private sector Hospitals are a significant portion of the UK Healthcare network. Spire Healthcare alone operates 39 hospitals in the UK. Private health care plans are the bulk of patient visits, although this has changed significantly due to covid and will likely witness a similar trend over the next 2-3 years due to backlogs.

The larger companies, including Spire, operate group level procurement, although decisions are also based locally due to ease of supply and complexity of the supply chain.

Private sector healthcare: Periphery companies







ISS UK

Opportunities for smaller volumes, better relationships and longer term secured growth exists outside the larger players. And importantly can be an easier way in to test propositions and sales techniques in the UK. ISS is a good example, food is not there core business, however they operate retail and patient food in over 30+ UK hospitals. A significant enough player to engage with the right proposition as they are not just looking to patient food solutions.

Private sector meals at home: A few of the players

Meals to homes

Funding exists for companies in the UK to supply meals at home (MOW). The system is somewhat formalised with a few larger players including Apetito, Wiltshire Farm Foods, Oakhouse and Blue Mountain. However, there is a significant number of smaller local players and more informal kitchens delivering to homes. The leading players use franchise business models as a way to expand rather than a dedicated wheels provider. An easier way into more rural areas.

Private sector meals at home: Community action



Meals to homes
The pandemic has lead to an increase in kitchens providing to the community, delivering food solutions to the most vulnerable. With many foodservice sites now closed due to covid restrictions and lockdowns, may independent operators have looked to provide takeaway options as well as community meals. This trend is expected to continue through 2021 and into 2022 as foodservice operators struggle to return to pre-covid trends and the pandemic still impacts the UK.

Value proposition: How to approach the Education channel

Each channel and player within the channel needs to be approached in varying ways. Developing the right value proposition, hitting the key sales KPIs is important.

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NHS PROPOSITION

- Product / Patient
- Price
- Health
- Performance
- Consistency
- Cost reduction. Product & people
- Convenience
- Packaging solutions

HEALTHCARE PROPOSITION INDEPENDENT

- Product / Patient
- Price
- Health
- Quality, taste, textures
- Cost reduction. Product & people
- Consistency
- Packaging solutions
- Convenience

MEALS AT HOME PROPOSITION

- Price
- Category gaps, newness
- Health
- Cost reduction product
- Consistency
- Packaging solutions
- Convenience

UK Contract Catering Secto

B&I

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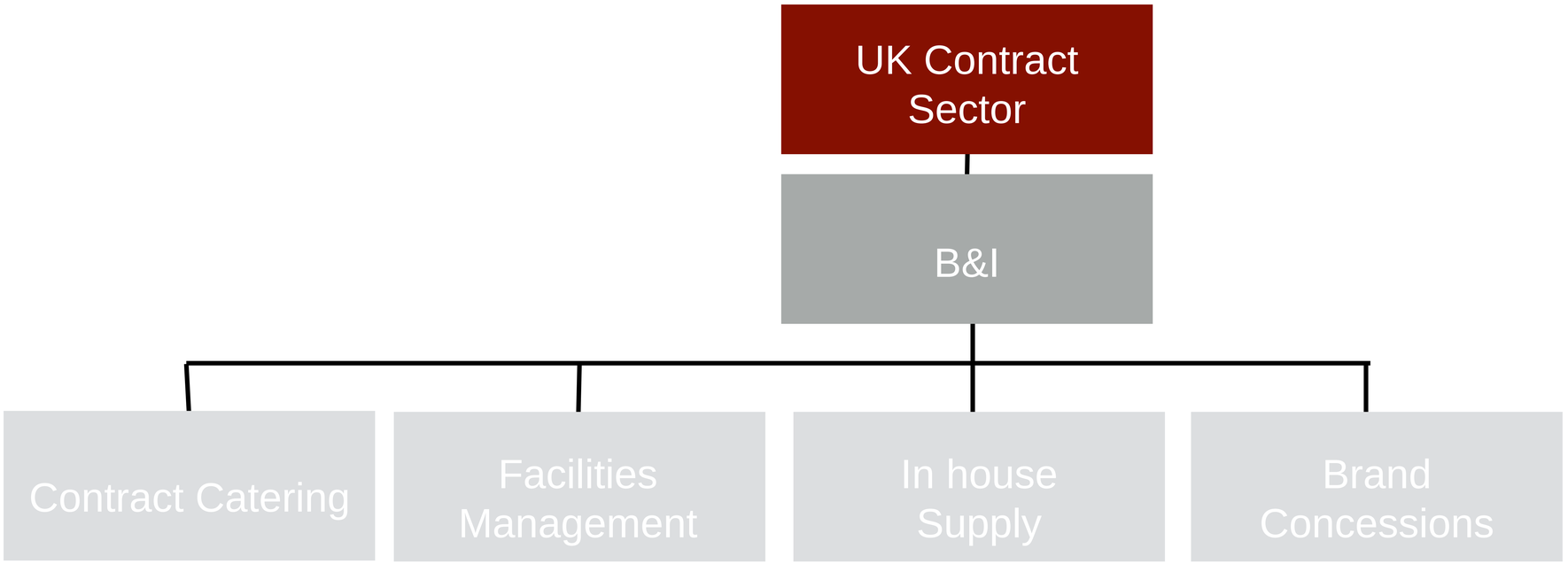
B&I: Broken out



Understanding breadth & depth of the UK market: CC focus

1,790

Sites run by smaller T2 B&I contract caters in the UK in 2019. This figure has grown by 190 since 2016.

£680mn

Sales generated by tier 2 companies within Contract B&I.

755

Sites run by tier 3 contract caters in the UK in 2019. This figure has grown by 144 since 2016. Note they often do FM.

£305mn

Sales generated by tier 3 companies within Contract B&I.

B&I: Leading companies

A few of the leading players
Eurest (Compass Group)
Sodexo
Aramark
BaxterStorey (WSH)
Elior
CH&CO
Bartlett & Mitchell
Holdroyd Howe (WSH)
Company of Cooks (CH&CO)
Harrison Catering Services
Entier Services
Kudos (Crown Partnership)

Route to market & buying requirements

Larger UK CC	Mid-Tier UK CC
RTM Use of larger strategic logistic partners in the UK (DHL, Kuehne + Nagel, Bidfood, Brakes, Wincanton). Due to the size of the contract, strategic partners are often sought and supplement their fleet. **BUYING** Price, price, price. Then other attributes follow from here. Targeting the specialised function in organisations is essential. Speaking to NPD Chef's when pitching quality or taste differential products is key to opening up conversations.	**RTM** More geared towards own fleet, logistic partners and wheels (Bidfood, Brakes). The more niche and specialised the more likely own fleet or supplier fleets are used. **BUYING** Quality, differentiation adaptability are important. Price though is still the key to getting over the line. Be flexible on MOQ, it will help build accounts.

Larger players: B&I



Larger player demands
Procurement functions are powerful in these larger, well established multinational organisations. The various arms across channels and strategic alliances are integrated relatively well into the businesses.

Challenge will always be price, volumes and suppler agreements already in place. If you cannot hit a critical KPI for a business development manager or procurement person, then the opportunity to supply will disappear very quickly. Getting the right pitch is crucial from the outset as well as those corporate credentials.

Larger players: B&I

Compass Contract Services

Compass offers food and beverages, FM and cleaning services, in addition to broader support services to a wide range of sectors (B&I, healthcare, education, defence, government). Operations are centralised and also within dedicated channel operations, for example, Chartwells (Education), Foodbuy (NHS) or Levy (Leisure).

Growth has been via acquisition in recent years deeper into core areas and wider into channels. This approach has caused a problem, decreasing profitability, which is now compounded by 25-30% lower than expected profitability due to covid. Centralised larger contracts focus on price, consistency and margin—key messaging tools to engage at a corporate level.

Larger players: B&I



COMPASS GROUP

Eurest

Eurest is the Compass B&I operation with dedicated staff, teams and structures. With the DHL foodservice logistics supply chain deal struck in early 2020, Eurest was in a strong position to fulfil a larger number of UK B&I contracts nationally.

The downturn that impacted all UK CC companies will ultimately leave Eurest in recovery mode over 2021. However, opportunities for highly innovative or more extensive volume solutions across proteins, meals, pizzas, ice creams, snacks and will come back onto the agenda.

Finding the right partners: B&I



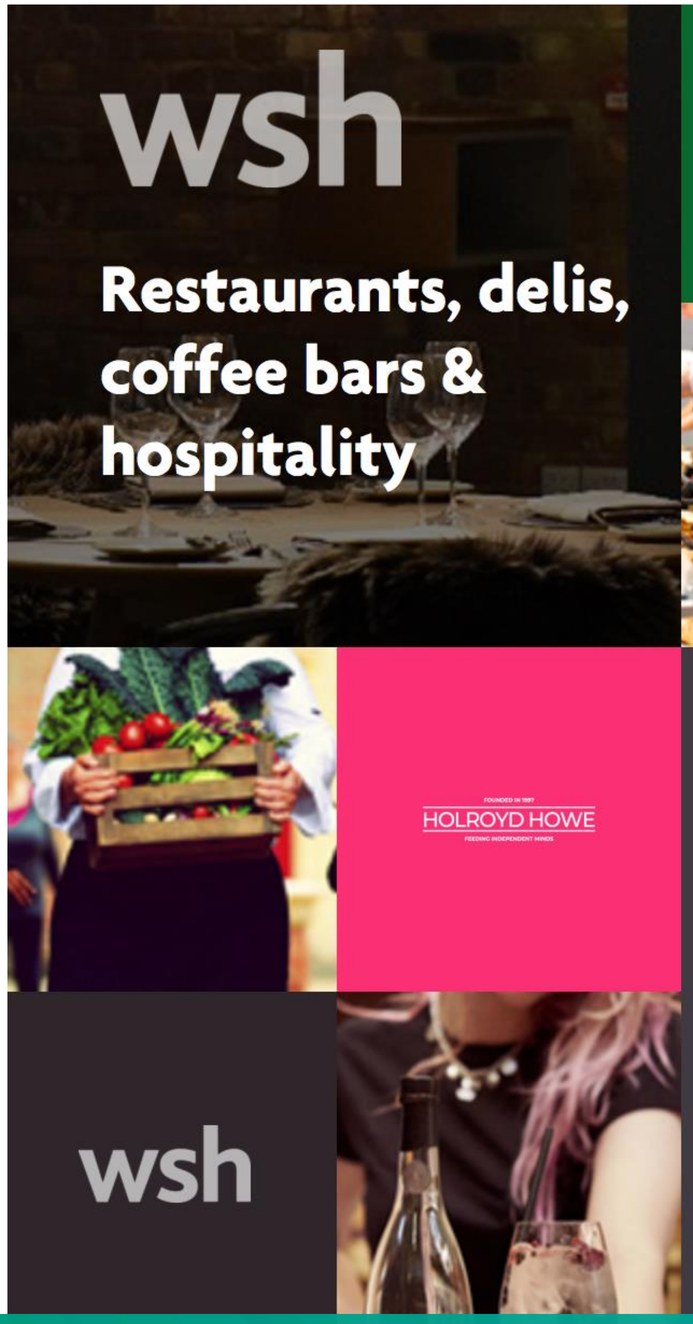
Phoenix! CH&CO

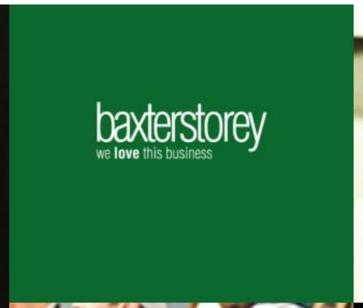
CH&CO has undergone a refinancing and fundraise to support the business as it exits lockdown and rebuilds over the coming months. CH&CO should still be a target for Bord Bia clients with the right quality / differentiation / taste proposition.

CH&CO holds a royal warrant for the provision of catering services to the Queen and provides services to workplaces, schools, venues and destinations including Historic Royal Palaces and Kew Gardens.

Quality, differentiation is vital to these types of caters who operate in the higher-margin levels of the B&I channel.

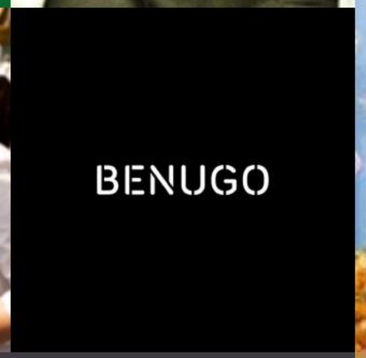
Finding the right partners: B&I





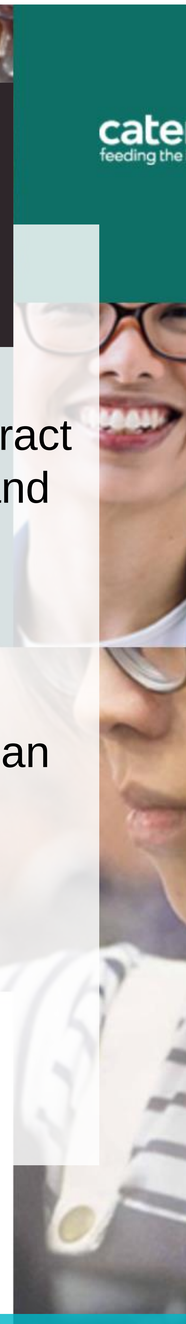






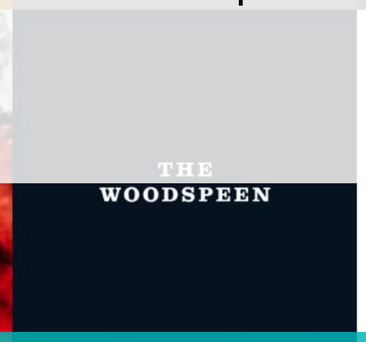






wsh is the parent company for leading brands operating in the food services and hospitality sectors. We aim to be the very best and set ourselves incredibly high standards because we care passionately about our food, service, people and clients.







WSH
Westbury Street Holding has several contract catering operations and is looking to expand its overall portfolio in the space with the recent acquisition of Bartlett & Mitchell.

Operationally, purchasing falls within the independent businesses as WSH acts as an investor or hedge fund entity.

UK CC include BaxterStorey and Holroyd Howe in the WSH portfolio.

Finding the right partners: B&I

Bartlett & Mitchell
Recently acquired by WSH, Bartlett & Mitchell was struggling through the pandemic due to high exposure to B&I. With sales dropping by up to 80% in open sites, it was always going to be a challenging year.

Now they are in the WSH Group then there is an excellent opportunity to engage in 2021. The right price of products will be necessary as well as the differentiation of the product offering from client companies.

To put their size into context in 2019, they sold over 2.5 million cups of coffee across their UK sites!

Finding the right partners: B&I







entier

ALL ENCOMPASSING **CATERING & SUPPORT SERVICES**

Entier

An independent multi channel contract caterer primarily focused on the Scottish market. Peter Bruce opened Entier after leaving Compass Group and has expanded the business to cover remote sites, B&I and retail. Food trends, portion sizes and the more independent nature of the company makes Entier a good target for Irish companies. In addition, the multi channel exposure through Entire would be a plus. Wheel are provided by their own fleet as well as using logistic outsourcing for larger contracts.

Value proposition: How to approach the B&I channel

Each channel and player within the channel needs to be approached in varying ways. Developing the right value proposition, hitting the key sales KPIs is important.

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B&I PROPOSITION LARGER PLAYERS

- Price
- Product
- Consistency
- Cost reduction
- Convenience
- Packaging solutions

B&I PROPOSITION MID-TIER

- Product
- Price
- Quality, taste, textures
- Cost reduction
- Consistency
- Packaging solutions
- Convenience

Applying the Insights

BORD BIA
IRISH FOOD BOARD

B&I: Applied insights for 2020 and beyond

Category: Value added meats, RTH, RTC, RTE & meal solutions.
UK CC Channel: Business & Industry
Challenge: How to turn the insights gathered into a strategy to take forward and build a sales plan around?
Assumptions: Price could be a winner, however quality is what we sell. Business FS or CC interactions to date - low.



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Hero

The hook. The range or single product that is the perfect choice for the customer.

Plan of action:
Taking a core component and making it easier for smaller kitchen staffing to use and elevate it in the B&I arena.

Products:
Range of marinated meats, longer cooked, portioned. Providing flexible protein solutions for use in multiple B&I locations.



Sales Plan

The sub set of UK CC companies that fit the proposition.

elior
baxterstorey we love this business
bartlett mitchell
COMPANY OF COOKS

Activation

Lead with quality and cost. Product and price get the opportunity across the line.

Product
Price
Quality, taste, textures
Cost reduction
Consistency
Packaging solutions
Convenience



BORD BIA
Thinking
House

Q&A

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Thank you

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