AN OVERVIEW OF THE OUT OF HOME MARKET IN SCOTLAND

NPD CREST data to year ending December 2015.

Commissioned by Food Standards Scotland - Prepared by NPD Group, Inc.

Foreword by Food Standards Scotland

“This report provided by NPD Group provides an important up to date picture of eating out in Scotland, together with an assessment of how this environment has changed since 2012.

In January this year, the Board of Food Standards Scotland supported a suite of proposals for action to improve the Scottish Diet. This recognised that while action is needed to inform and assist consumers to choose a healthier diet, more action is also needed from the food industry, including those involved in providing food and drink outside of home. Given the large and growing number of visits people in Scotland make to these types of outlets, improving the healthiness of the foods and drinks available to consumers when eating out will help us make positive progress towards achieving our Dietary Goals.

This report supports efforts by FSS to develop new strategies to improve the Scottish diet out of home, and will help ensure that efforts are focussed on the products, meals and types of outlets where they will have the greatest impact.”

Geoff Ogle, Chief Executive Officer, Food Standards Scotland.

An overview of the out of home market in Scotland

1. Summary of key findings

a) Brands have a large share and growing share of the out of home market in Scotland. However, independents still hold around half of the total market.

b) Quick Service Burgers and Coffee Shops have grown strongly in Scotland, bringing us to nearly the same level as GB.

c) People in Scotland are buying more but spending less out of home compared to GB overall with more families and the least affluent visiting out of home in the last year.

d) Many of the top food & beverages consumed out of home in Scotland tend to be less healthy, including Chips/French Fries, Burgers and Regular Cola.

e) Children between 0-12 yrs consume these types of foods more often out of home than adults.

f) Health is not a key factor when eating out of home, and appears to be decreasing in importance in Scotland. Furthermore, the motivation to treat ourselves or others has increased.

2. Introduction

Food Standards Scotland (FSS) commissioned NPD Group to provide data on the out of home food and drink landscape in Scotland. This current work follows on from work completed by NPD Group in 2012 in the same topic area.

You can view the previous findings:
http://www.food.gov.uk/sites/default/files/855-1-1592_FSAS-_Final_OOH_report_050414.pdf

Within this presentation, ‘out of home’ refers to:

- Any food or drink purchased and immediately consumed outside the home and
- Any take-away or home delivered food, such as pizzas.

The accompanying PowerPoint slides and data, and the narrative in this booklet have been provided by NPD Group.

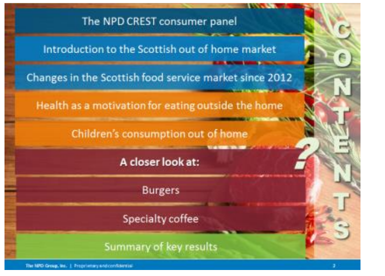
3. *Glossary of terms*

Out of home	Any food or drink purchased and immediately consumed outside the home in addition to any take-away or home delivered food, such as pizzas.
Visits	Also called traffic. This is the total number of visits made by everyone in the sample.
Meal occasion	One party is one meal occasion, whether with only 1 person or more
Average visit per capita	Number of visits divided by the population.
Number of servings	Whatever the size or portion, one food item is one serving.
Incidence	The % of all visits which contains a food item.
Compound annual growth rate	This is a calculation that shows the average annual growth rate between Period A and Period B
Independents	Small usually locally based businesses with very few, if any, additional premises.
Small Brands	These brands are still well known nationally but were not coded as 'Major' within the CREST dictionary. Examples include: Aramark, Ask Pizza & Pasta, Baskin Robbins, Bella Italia, Cafe Rouge, Chiquito, Debenhams, Frankie And Bennys, Harry Ramsdens, Hilton, Holiday Inn, IKEA, John Lewis, La Tasca, Millies Cookies, Novotel, Papa Johns, Premier Travel Inn, Radisson, Somerfield, Spar, T.G.I. Fridays, Thorntons, Travelodge, Upper Crust, Wagamama, Waitrose, WH Smith and Zizzi. Note, this is not an exhaustive list.
Major Brands	The 26 largest brands in the UK with regard to market share: Asda, Bakers Oven, Beefeater, Boots, Brewers Fayre, Burger King, Caffe Nero, Co-op, Costa Coffee, Dominos, Greggs, Harvester, KFC, Marks & Spencer, McDonalds, Morrisons, Nandos, Pizza Express, Pizza Hut, Pret A Manger, Sainsburys, Starbucks, Subway, Tesco, Toby Carvery, Wetherspoon.
Quick Service Restaurants (QSR)	These are businesses which specialise in 'fast food' and include many take away businesses, coffee shops, sandwich shops, bakeries and retailers serving out of home food and drink. These types of businesses typically have little table service.
Socio-economic groups	Groups A, B, C1, C2, D and E are based on employment status as follows: A: Higher managerial/administrative B: Intermediate managerial/administrative C1: Supervisory/clerical, junior managerial C2: Skilled manual workers D: Semi-skilled/unskilled manual workers E: On state benefit/unemployed

4. Contents

The presentation covers the following areas:

- The NPD Crest consumer panel
- Introduction to the Scottish out of home market
- Changes in the Scottish food service market since 2012
- Health as a motivation for eating outside the home
- Children's consumption out of home
- A closer look at: burgers and specialty coffee
- Summary of the key results.



5. *The NPD CREST consumer panel*

5.1 The sample

The sample of consumers was drawn from an existing consumer research panel (managed by Lightspeed Research), and was geographically and demographically balanced to represent the GB population. A review of the samples sizes within Scotland was undertaken to ensure sufficiently robust and detailed information could be provided on the Scottish OOH market. Online invitations were sent out to panellists every week and the number of invites sent was monitored and adjusted to ensure a balanced sample.

In 2015 over 90,000 visits were declared by the sample in GB. Over 7,000 of these visits were declared by around 3,800 unique Scottish panellists in 2015.

5.2 Data period

The new data presented in this report came from consumer research panel data collected between 2012 and 2015.

5.3 Children

Children up to 16 were only included, if accompanied by an adult who completed the survey on their behalf. Unaccompanied children were not represented within this sample.

5.4 Food and drink categories

Bespoke food and beverage categories were created for FSS to reflect FSS policy interests, e.g. separation of diet and non-diet drinks.

5.5 The CREST database

CREST (Consumer Reporting of Eating Share Trends) is the database used by NPD Group to measure food and drink purchasing behaviour out of home. A representative sample (see previous sections for more detail on the sample) of consumers are asked through an online survey about their out of home consumption behaviour on the previous day, and this is reported to NPD Group on a monthly basis. The database captures prepared food and drinks that are consumed both on and off the premises, from restaurants and retail outlets.

Please note, the data provided is derived from consumer surveys and contains no information provided by out of home establishments.

5.6 The out of home landscape

The total out of home food and drink market (measured by NPD Crest) can be split into Commercial and Non-Commercial categories.

Commercial out of home category includes:

- Quick service restaurants (QSR) such as quick service burger, fish and chip, sandwich, bakery, coffee, pizza/Italian, ethnic, retail and petrol station outlets.
- Pubs
- Full service including full service traditional, ethnic, pizza/Italian and café/bistro outlets.
- Travel and Leisure including hotels, in-store restaurants, bars and clubs, motorway service stations, ice cream shops and leisure/entertainment outlets.

Non-commercial out of home category includes:

- Workplace outlets
- College/university outlets
- Vending machines

Excluded from this analysis are:

- Hospital, school or prison meals
- Events catering

6. Introduction to the Scottish out of home food and drink market in 2015.

6.1 Visits to the out of home environment in Scotland, GB and other countries

Food service is an important industry, with 948 million visits made to out of home establishments in Scotland in 2015.

Between 2014 and 2015, there was an increase in visits of 3.0% in Scotland, which is above every other European country followed by NPD Group including Italy, Spain and Germany. In comparison, there was only a 1.3% increase in visits in Great Britain (GB) as a whole.

In 2015, the average person in Scotland visited an out of home establishment 177 times, and this was very similar to the average number of visits in GB (179). GB and Scotland have a higher number of visits than many other European countries, however visits within Italy and some non-European countries such as US, Canada, Japan and Australia are much higher. Interestingly, the higher number of visits in Italy is partly linked to the importance of the out of home coffee sector in this country.

6.2 Market share of independent establishments, small brands and major brands

The majority of the total out of home market share in Scotland is held by independent establishments, and this share is larger in Scotland compared to GB. In contrast however, GB has a greater proportion of small and major brands compared to Scotland.

6.3 Motivations to eat out

When asked about motivation to eat out the Scottish population tended to give answers that were more functional compared to GB. For example, 21.8% of visits in Scotland were made simply because a person was at work, compared to 17.9% of visits made in GB.

The rest of GB on the other hand showed a higher proportion of responses linked to social moments such as “Socialising with friends” (9.2% compared with 10.8%) or “To eat as a family/Spend time with my Family” (6.6% compared to 8.1%).

6.4 Quick Service Restaurants (QSR)

Quick service restaurants (QSR) hold the largest proportion of visits in Scotland compared to any other channel out of home, and within QSR the most popular sub channels are Retail/Supermarkets, QS Burger, QS Coffee and QS Ethnic.

In comparison with GB, the proportion of visits to QS Fish and Chips, QS Bakery and QS Ethnic is higher in Scotland.

6.5 Key foods and drinks in Scotland compared with GB

The proportion of all visits to the total out of home market that included a Chinese/Asian or an Indian Dish main dish was higher in Scotland than in Great Britain overall: Chinese/Asian main dishes were 27% more likely to be consumed in Scotland whereas Indian main dishes are 19% more likely to be consumed in Scotland than in Great Britain as a whole.

Additionally, the proportion of all visits in the total out of home market that include Tea, Soup and Bacon is higher in Scotland than in Great Britain overall: Scotland was more likely to consume Tea by 14%, Soup by 16% and Bacon by 11%.

6.6 The top brands in Scotland

In 2015, the top five out of home brands in Scotland were McDonald's, Greggs, Tesco, Asda and Morrisons.

Amongst those, Greggs, Asda and Morrison's all overtraded in Scotland compared to GB by 33%, 31% and 27% respectively.

7. Changes in the Scottish food service market since 2012

This section provides information on changes within the Scottish out of home food service market since this was last explored by FSS in 2012.

The previous analysis of the Scottish out of home market in 2012 showed that the number of visits to the food service industry was down since 2010 and, despite some similarities between Scotland and the rest of GB, there were key differences.

While quick service restaurants were on the rise in GB, they were declining in Scotland. However, independents and small brands were growing in Scotland compared with a decline in brands overall in GB.

New data for 2015 however shows that trends in the Scottish out of home market have changed again and taken a different direction. Despite previous years showing a decline in the number of visits out of home in Scotland, they rose rapidly between 2014 and 2015 and are now at the same level as GB. However, visits are still lower than they were in 2012.

7.1 Growth between 2014 and 2015

In GB there was an increase in the number of items purchased out of home, and this was reflected by an increase in overall out of home spend.

Despite the rapid growth in visits between 2014 and 2015, people in Scotland are spending less in this sector than they were a year ago, and they are buying more for their money with 1.7% more items being bought compared to 2014.

The growth in visits out of home between 2014 and 2015 was mirrored in the least affluent groups (C2DE) and the number of families (adults with kids) eating out of the home during this time.

7.2 Long term changes since 2012

Despite the rapid growth in visits between 2014 and 2015, over the longer term (since 2012) visits have declined overall and this has largely been driven by the young adults aged 18-24 yrs. The average visits per capita within this age group fell from 188 in 2012, to 153 in 2015.

There have also been some changes in the times of day that Scottish people are visiting out of home establishments. For example, the proportion of all visits out of home which were for lunch increased from 32% in 2012 to 34.7% in 2015.

Although Scottish people tended to provide more functional reasons for eating out, there has been an increase in the motivation to ‘treat themselves or others’ since 2012 (12.8% compared with 15.5%).

The market share held by independents and brands has also changed over time. In 2012 50.5% of all visits were to independent establishments, compared to 49.5% of visits in 2015. Small and major brands in contrast have gained importance in Scotland over this time.

Since 2012, QSR and café/bistros have avoided stronger decline and have grown by 2.6% and 5.1%. However, between 2014 and 2015, the number of visits to café/bistros has declined by 5%.

In 2012, quick service restaurants were more prominent in GB overall than in Scotland. In 2015 however, the surge in QSR meant that these types of establishments now overtrade in Scotland compared to GB.

An increase in QSR was also observed during lunch since 2012, while the share of lunch visits to pubs, full service, travel and leisure and canteens declined.

The proportion of total traffic in QSR which included a Meal Deal has grown consistently since 2012, and the number of visits to QS Kebab, Indian, Fish and chips, Coffee and Burgers (sub-channels of QSR) has all increased over the longer time.

8. *Health as a motivation for eating outside the home and key food and beverages consumed*

This section provides information on health as a motivation for eating outside of the home, in addition to the key food and beverages consumed outside the home.

8.1 Motivations for eating outside the home in Scotland

When consumers were asked their reason to choose an outlet, only 3.6% in Scotland answered that it was because they "wanted a light/healthy meal". This has declined since 2012, and is of less importance in Scotland compared to GB.

8.2 Key food and beverages consumed out of home in Scotland

There have been some positive changes in types of foods and drinks consumed out of home since 2012: the proportion of visits that included water rose from 7.2% to 10.7%, whereas incidence of puddings and desserts and crisps/popcorn/salty snacks have declined.

However the reality in Scotland is that many of the top food and beverage items consumed out of the home tend to be less healthy, and include Chips/French Fries, Cakes/Biscuits/Pastries and Regular Cola.

In comparison to GB, there is little difference between the top food and drink categories consumed out of home in Scotland.

9. Children's consumption out of home

This section provides information on the foods and drinks consumed by children (0-12 yrs) when eating outside of the home.

Please note: children up to 16 were only included if accompanied by an adult who completed the survey on their behalf. Unaccompanied children were not represented within this sample.

Less healthy options such as Beef Burgers and Chips, sugary drinks, Fried/Breaded Chicken and Ice Cream are consumed more frequently by children aged 0-12 yrs in the out of home market compared to all ages. For example the incidence of regular cola is 10.1% for all ages in Scotland, compared with 16.7% in children aged 0-12 yrs.

The incidence of Beef Burgers and Regular Colas has increased since 2012 within this age group (Beef burgers: 14.0% vs. 18.0%, Regular Cola: 12.4% vs. 16.7%), and were consumed more frequently in 2015 in Scotland than they are in GB (Beef burgers: 12% in GB vs. 18% in Scotland, Regular Cola: 12.8% in GB vs. 16.7% in Scotland).

10. A closer look at: Burgers

This section provides information on trends in burger consumption out of the home in Scotland.

In Scotland, the incidence of burgers rose from 8.8% in 2012 to 11.1% in 2015, alongside an increase in the incidence of Chips/French Fries from 9.5% to 9.9%.

Additionally, the QS Burger channel has experienced growth since 2012 amongst both adults only parties and adults with kids parties, with compound annual growth rates of +6.4% and +10.4% respectively.

Chicken Burgers and Beef Burgers show high reliance on meal deals, with over half of all servings of these items being sold as part of a meal deal or promotion. These items hold the highest percentage of on deal servings amongst all food and beverage items.

Data was provided by NPD on a particular, un-named fast food chain. Although the share of total visits to this chain in 2012 was lower in Scotland compared to GB, its share of visits has grown rapidly between 2014 and 2015 so that it now holds a similar share to GB. This particular chain has been key in driving both the growth of chains and the growth of burgers in Scotland and in GB.

One in five visits out of home in Scotland by children aged 0-12yrs includes a kids' meal, and this is higher than in GB. Of all the visits made by children aged 0-12 yrs that included a kids meal, 36.9% were provided by a single popular fast food chain.

11. A closer look at: Specialty Coffee

This section provides information on trends in specialty coffee consumption out of the home in Scotland.

Since 2012, the incidence of specialty coffee out of home in Scotland has grown from 10.5% to 11.6% in 2015.

Despite under trading in Scotland compared to GB, QS Coffee has grown to the point that it now holds similar share across Scotland and GB.

12. Key findings

a) Brands have a large share and growing share of the out of home market in Scotland. However, independents still hold around half of the total market.

b) QSR Burgers and Coffee Shops have grown strongly in Scotland, bringing us to nearly the same level as GB.

c) People in Scotland are buying more but spending less out of home compared to GB overall with more families and the least affluent visiting out of home in the last year.

d) Many of the top food & beverages consumed out of home in Scotland tend to be less healthy, including Chips/French Fries, Burgers and Regular Cola.

e) Children between 0-12 yrs consume these types of foods more often out of home than adults.

f) Health is not a key factor when eating out of home, and appears to be decreasing in importance in Scotland. Furthermore, the motivation to treat ourselves or others has increased.