



Foodservice in New Zealand 2008

Volume 1

Market Insights & Market Size

"Think foodservice, not retail"



EXTRACT TO INDICATE THE GENERAL NATURE OF THE REPORT

FOOD & BEVERAGES

© BIS Shrapnel Pty Limited July 2008

The information contained in this report is the property of BIS Shrapnel Pty Limited and is confidential.

All rights reserved.

No part of this report may be reproduced or transmitted in any form, nor may any part of or any information contained in this report be distributed or disclosed to any person who is not a full-time employee of the Subscriber without the prior written consent of BIS Shrapnel Pty Limited. The Subscriber agrees to take all reasonable measures to safeguard this confidentiality. Subscribers may not, under any circumstances, use the information in this report for promotional purposes.

Note: Although great care has been taken to ensure accuracy and completeness in this project, no legal responsibility can be accepted by BIS Shrapnel Pty Limited for the information and opinions expressed in this report.

Job No. F4917/SR/TE/CH/sc/sf



BIS Shrapnel Pty Limited
Level 8, 181 Miller St
North Sydney NSW 2060
Australia
Tel. +61 (0)2 9959 5924
Fax +61 (0)2 9959 5795
email: srosengren@bis.com.au

Contents

Introduction	i
1 The New Zealand Foodservice Market.....	5
1.1 Overall market – state of play	7
1.2 R&G Coffee Barometer	14
1.3 Internet and foodservice	17
1.4 The cost of food	22
1.5 Lack of Skilled Labour.....	24
2 Commercial Channels	29
2.1 Full service restaurants.....	31
2.2 QSR	36
2.2.1 Snack food chains	42
2.3 Hotels, motels and resorts	46
2.4 Cafés.....	50
2.5 Caterers	55
2.6 Clubs	64
2.7 Function centres.....	67
2.8 Sporting venues	71
2.9 Convenience stores	75
3 Institutional Channels	79
3.1 Health.....	81
3.1.1 Hospitals	81
3.1.2 Aged Care.....	85
3.2 Education	89
3.2.1 Schools	89
3.2.2 Tertiary institutions	93
3.3 Institutional canteens	97
3.3.1 Private workplace canteens.....	97
3.3.2 Military	100
3.3.3 Correctional institutions	103
3.4 Charitable organisations	107
4 Product Categories	113
4.1 Meat, poultry and fish.....	115
4.2 Fruit and vegetables	117
4.3 Breads, pasta and cereals	118
4.4 Dairy products	119
4.5 Cakes and desserts	120
4.6 Hot and cold beverages	121
4.7 Fats and oils.....	122
4.8 Sauces, condiments, ingredients and dressings	123
4.9 Prepared meals, snacks and soups.....	124

4.10	Spreads and jams	125
4.11	Confectionery	126
4.12	Snack foods	127
5	Market Size	131
6	Foodservice Forecasts	137
6.1	Key Determinants of Foodservice Expenditure	137
6.2	Outlook for Economy	139
6.3	Outlook for Foodservice Expenditure.....	142

Introduction

New Zealand Foodservice 2008



BIS Foodservice is reporting on the New Zealand foodservice market for 2008. We are outlining key trends, developments, market characteristics and forecasts, as well as market size estimates.

The report for 2008 is contained in two volumes:

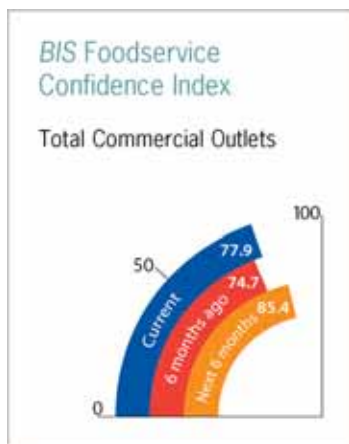
- Volume 1 Market Insights & Market Size
- Volume 2 Brand Analysis & Brand Positioning.

Detailed market size estimates down to product and channel level are contained in a separate database which clients have on line access to. The database allows for currency manipulation as well as market share indications using individual company sales figures.

The market size database also presents the market forecasts (in NZD only) applied to each channel for the years 2008 to 2012.

New Zealand Foodservice 2008 is the first report in a new consultancy service which is available on an annual basis. It builds on more than 20 years of extensive primary research by BIS Shrapnel into the foodservice industry. When addressing this market, the BIS Foodservice team also draws on in-depth knowledge and experience from overseas foodservice markets in Australia, Asia, the Middle East and the Nordic markets.

1 The New Zealand Foodservice Market



Cost of food

The New Zealand foodservice market is fairly buoyant, and it is certainly changing. The *BIS Foodservice Confidence Index* which measures the general business sentiment and outlook among commercial foodservice operators is fairly high.

This pulse was taken during March 2008, and compared with operators' outlook six months earlier, i.e. in October 2007, the index ascended 3.2 points.

Interestingly, foodservice operators have a positive outlook. The index goes up a significant 7.5 points for the following six months.

The number one concern among foodservice operators in New Zealand is rising food prices.

More recently, there has been a world focus on food prices, and we expect the cost of food will have a greater impact on the economy and politics than many other pressing issues at the moment and in the future.

Present world economic climate, and that of New Zealand will also impact the foodservice market. Generally, any foodservice market is one of the first markets to feel the pinch in worse economic times, but it is also one of the first ones to recover.

Foodservice is growing

Right around the world foodservice is growing while retail sales are in decline, or at best stagnant. New Zealand is part of an international trend where consumers spend an increasing proportion of their food dollar on eating out.

In many countries eating out is a *way of life* – no more so than in the Asian markets where consumers regularly eat out for several of their meals during the day.

In New Zealand eating out is not a way of life yet, however, the café and R&G coffee culture is well entrenched in the market. This does affect the overall foodservice market in more ways than one. It causes a partial shift towards a more bread based fast food concept, increases tremendously the consumption of milk, bottled water, and increases the breakfast meal segment. Cafés are also leaders when it comes to healthy eating in the foodservice market.

2.2.1 Snack food chains

Key channel characteristics & trends

- The number of snack food chain outlets has increased by 24% over the last three years.
- The majority of outlets are located in Auckland, Wellington and Canterbury.
- Snack food outlets have a very limited product offering – all based around one single menu item such as donuts or muffins.
- The key menu item often baked or made on site.
- These menu items are all found in all other commercial foodservice outlets.
- Snack food chain outlets experience strong competition from the QSR and café channels.
- Outlets tend to be located in urban areas.
- BIS Shrapnel has said for some time that we do not believe *juice bars* have longevity for the following reasons:
 - The whole concept is centred on one product so the revenue base is too limited to ensure long term profit.
 - Outlets are often located in shopping malls and centres where rents are high.
 - Juice bars are first and foremost frequented during day time.
- The number of juice bar chain outlets in New Zealand has reduced dramatically between 2005 and 2008 from 42 to only eight.

Figure 2-4
Number of snack chain outlets by Location, 2005 & 2008

Company	Auckland	Waikato, Bay of Plenty	North Island Other	Wellington	Canterbury	South Island Other	2008	2005	% p.a. change
Total									

Source: BIS Shrapnel estimates 2008

Figure 2-5
Number of juice bar chain outlets by location, 2005 & 2008

Company	Auckland	Waikato, Bay of Plenty	North Island Other	Wellington	Canterbury	South Island Other	2008	2005	% p.a. Change
Total									

Source: BIS Shrapnel estimates 2008

Product requirements

- Limited number of products purchased.
- Product requirements do not vary from week to week.
- Amounts ordered constant.
- Supply arrangements and preferred suppliers often decided by head office.
- No scope for supplier input or product innovation.
- Brands have no relevance except for *beverages* including soft drinks, water, tea and coffee.
- Storage space usually very limited.

Customer service requirements

- Frequency and delivery stipulations often negotiated by head office for all outlets.
- Frequent delivery required due to limited storage space.

Pricing and profitability

- Margins high
- Revenue base low
- Rents high

Key channel drivers

Level of importance	Snack food chains
	The channel
★★	Level of family income
★★★	Low price point of supply
★★★	Availability of credit terms
*	Growth of student numbers
*	Government policy
*	Tourism
	Customer service
★★	Personal relationship
★★	Consistent availability of product
★★	Quick problem solving
★★★	Promotional support
*	Institutional support
	Product requirements
★★	Product quality
★★	Nutritional value
★★	Healthy image
★★	Product innovation
★★★	Brand reputation and recognition
★★★	Easy to use in food/beverage preparation
★★	Low risk of food/beverage contamination
★★★★	Pack sizes
★★	Quality of packaging
	Distribution
★★★	Timely delivery
★★★	Frequent delivery
★★★	Delivery of small quantities

Key	
★★★★	High importance
★★★	Average importance
★★	Low importance
*	No importance

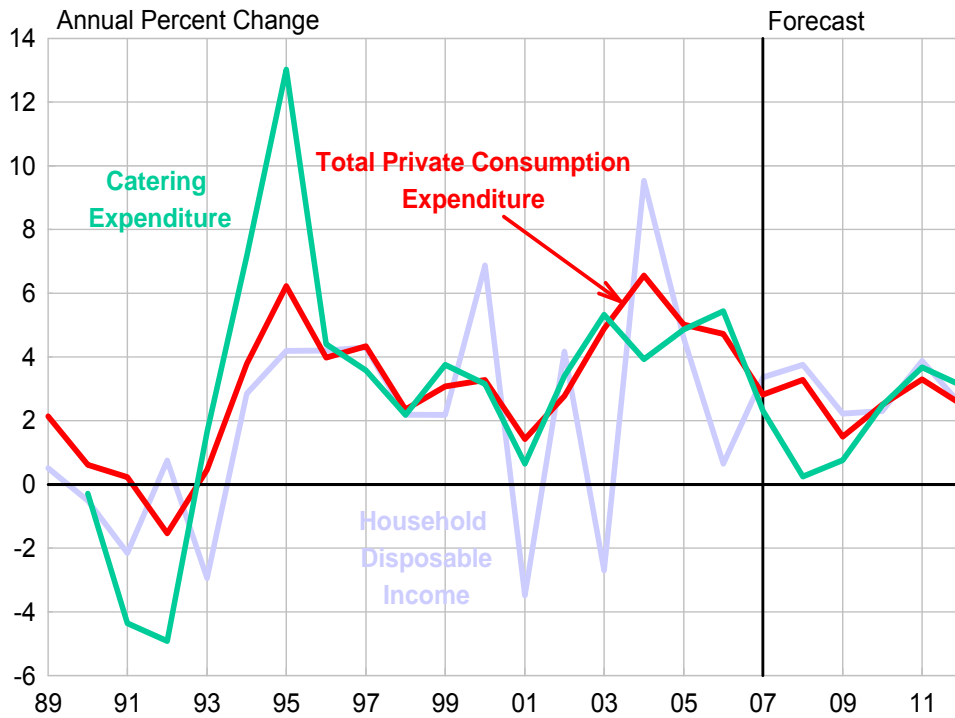
4 Product Categories

This chapter outlines the key trends and developments related to the main product categories and also the key channels in terms of usage.

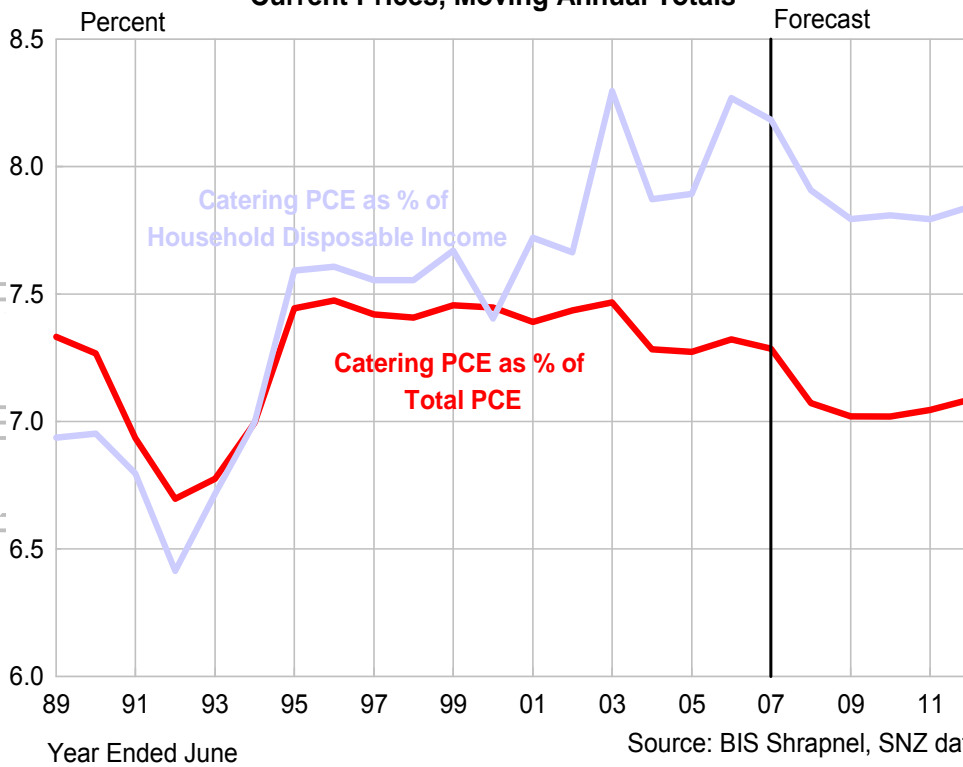
The product categories include:

- Meat, poultry and fish
- Fruit and vegetables
- Breads, pasta, cereals and biscuits
- Cakes and desserts
- Prepared meals, snacks and soups
- Dairy products
- Hot and cold beverages
- Fats and oils
- Sauces, condiments, ingredients, herbs and dressings
- Spreads and jams
- Confectionery
- Snack foods
- Disposable packaging and paper products.

New Zealand Catering Expenditure Constant 1995/96 Prices, Moving Annual Totals



Catering Expenditure as % of Household Disposable Income & Total Private Consumption Expenditure Current Prices, Moving Annual Totals



Source: BIS Shrapnel, SNZ data



Foodservice in New Zealand 2008

Volume 2

Brand Analysis & Positioning

"Think foodservice, not retail"



EXTRACT TO INDICATE THE GENERAL NATURE OF THE REPORT

FOOD & BEVERAGES

© BIS Shrapnel Pty Limited June, 2008

*The information contained in this report is the property of
BIS Shrapnel Pty Limited and is confidential.*

All rights reserved.

No part of this report may be reproduced or transmitted in any form, nor may any part of or any information contained in this report be distributed or disclosed to any person who is not a full-time employee of the Subscriber without the prior written consent of BIS Shrapnel Pty Limited. The Subscriber agrees to take all reasonable measures to safeguard this confidentiality. Subscribers may not, under any circumstances, use the information in this report for promotional purposes.

Note: Although great care has been taken to ensure accuracy and completeness in this project, no legal responsibility can be accepted by BIS Shrapnel Pty Limited for the information and opinions expressed in this report.

Job No. M4945/SR/TE/CH/sc/sf



BIS Shrapnel Pty Limited
Level 8, 181 Miller St
North Sydney NSW 2060
Australia
Tel. +61 (0)2 9959 5924
Fax +61 (0)2 9959 5795
email: srosengren@bis.com.au

Contents

1. Gap Analysis	1
2. Brand Positioning Maps	51
3. Brand Awareness.....	69
3.1 Brand familiarity	71

1 Gap Analysis

Each respondent in our quantitative survey was asked to rate the performance of three brands/suppliers they are very familiar with on the following product and service factors:

- Reputation of brand
- Quality of product
- Stock availability
- Price/value for money
- Service by sales representatives
- Innovative products (new products)
- Product range
- Specific sales promotions
- Quality of packaging
- Promotional literature/brochures/products

These ratings form the basis for the gap analysis of each brand as well as the brand positioning maps.

The respondents were also asked to rate the *importance* of each factor in their selection process of a brand/supplier.

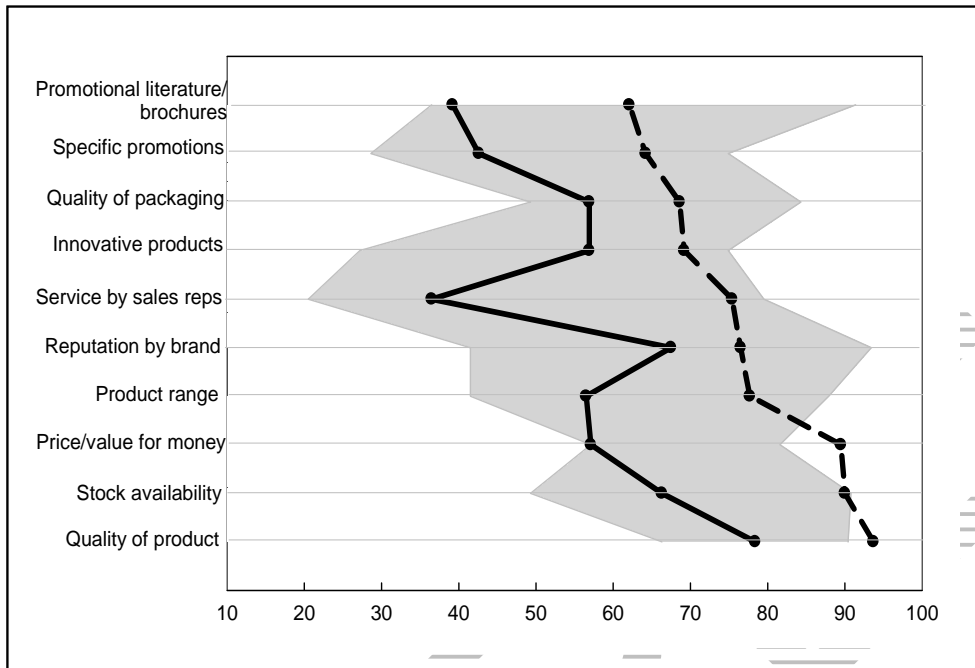
Explanation of the gap analysis charts

----- The dotted line represents the average score in terms of ***importance*** of a factor in brand/supplier selection.

_____ The black line indicates the ***mean performance score for the brand/supplier in question***.

█ The grey area indicates the competitive range of a brand/supplier, that is the ***highest and lowest rating scores of all brands*** for each factor.

Note: The gap analysis charts and brand maps include 47 brands/suppliers and only those that received sufficient ratings for analysis.





New Zealand Foodservice 2008 – 2009 Subscription Form 2008

BIS Foodservice



FOOD & BEVERAGES

Subscription

New Zealand Foodservice
_____ extra copies P.O.A

NZ\$21,500 (plus GST)

Total: _____

Each subscription includes one hard copy of the report and online access.

Price is exclusive of GST. GST applies to Australian based companies.

I confirm that this report is for the internal use of my organisation and its branches &/or subsidiaries, and will not be copied, reproduced or made available to any person outside of my organisation, or used for promotional purposes. Online Subscribers: I understand that my login details may only be shared with 4 other staff members, but that the ADMIN Password is to remain confidential.

Payment Details

Mr/Mrs/Ms: _____

Title: _____

Company: _____

Street address: (for courier) _____

_____ Postcode: _____

Phone: (0) _____

Fax: (0) _____

Email: _____

Please fax to:

BIS Shrapnel Pty Ltd
Fax (02) 9959 5795
Tel (02) 9959 5924

or post to:

BIS Shrapnel Pty Ltd
Level 8, 181 Miller Street
North Sydney NSW 2060
AUSTRALIA

Payment method:

I enclose payment for: \$ _____

Cheque

Credit Card (see below)

VISA

MASTERCARD

Card Number: _____ Expiry Date: _____

Name on Card: _____

Signature: _____ Date: _____

For further enquiries please contact:

Sissel Rosengren (srosengren@bis.com.au) at our Sydney office

or

Kevin McDonald (kmcdonald@bis.com.au) at our Melbourne office.

www.bis.com.au