

News release

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New Zealand foodservice operators positive about industry's future despite rising food and labour costs and tough economic conditions

A survey conducted by industry analyst, BIS Shrapnel, has revealed general business sentiment among commercial foodservice operators in New Zealand is fairly high despite the financial and economic challenges the industry is currently facing, as there are many opportunities for growth and eating out accounts for a growing proportion of the New Zealander's budget.

The survey, which was conducted for BIS Shrapnel's *Foodservice in New Zealand, 2008* report, found the number one concern for foodservice operators was rising food prices. Of those surveyed, 53 per cent reported their food costs had increased during the last 12 months, 29 per cent indicated labour costs had escalated and 19 per cent said general overheads had risen.

BIS Shrapnel food and beverages unit manager, Ms Sissel Rosengren, says these pressures are squeezing margins and impacting the bottom line in all channels, and foodservice outlets are going to quite extraordinary lengths in order to cut costs and fully utilise foodstuffs so they can avoid passing on price rises to customers for as long as possible.

"Every foodservice operator tends to work out his or her own way of cutting costs, however, all are quite reluctant to significantly raise prices out of concern for what impact that might have on trade," said Rosengren.

"We expect the cost of eating out will rise during the next 12 months in line with increasing food and labour costs, but we believe New Zealand's growing appreciation of different cuisines and good quality food will ensure they continue to eat out of home."

Foodservice in New Zealand, 2008 states operators are responding to rising costs by increasing the amount of pre-prepared foods, reducing portion sizes and opting for less expensive ingredient options.

"Packaging needs to be improved to increase the shelf life of food and should also include more information on the origin of and ingredients in the product," said Rosengren. "Food manufacturers should be working much more closely with equipment manufacturers to provide longer shelf life solutions to operators."

New Zealand's foodservice industry has changed significantly during the past 10 to 12 years and moved away from the British food tradition of meat and three veg to a menu influenced by Asian, Mediterranean and Middle Eastern cuisine. New Zealand food continues to be strongly influenced by the South Pacific.

Rosengren says the New Zealand foodservice market benefits from the availability of quality fresh local produce. Foodservice operators have access to locally produced oils, salt, truffles, hazelnuts, white asparagus, fresh water crayfish and wine, are advertising these local ingredients on their menus and educating their customers.

“It is the restaurants in the middle market that first and foremost are the leaders in educating the general public about good food and different cuisines -- not the five star establishments,” said Rosengren.

“Appreciation of good food is a slow process, and New Zealanders are a long way off making food central to their lives as the French and Italians do, both at home and out of home. The café culture is very well entrenched, however.”

BIS Shrapnel estimates the country’s foodservice industry is currently worth NZ\$7 billion in consumer prices, and forecasts the commercial sector will grow by an average of 2.8 per cent per annum over the five years to 2012. However, the strength of this growth forecast will be skewed by demand generated by the Rugby World Cup in 2011.

Rosengren explains the strength of the New Zealand foodservice industry owes much to the strong inbound tourism market -- New Zealand’s inbound tourist numbers are double per head of population than that of Australia. BIS Shrapnel expects tourism will continue to drive growth in hotels, restaurants and cafés.

Immigration has also had a major impact on the New Zealand foodservice industry, according to BIS Shrapnel, encouraging new cuisines, cooking practices and restaurants, and the rise in international travel has also influenced people’s appreciation of other cuisines.

In recent years, there has been an increase in the number of suburban restaurants as New Zealanders are eating out more regularly. Many of these restaurants cater for families in a more casual, yet sophisticated style. Although New Zealanders are eating out more often, dining out is still to a certain extent considered a treat, and therefore people are less concerned about how healthy their eating out food choices are.

Healthy eating is making a slow transition into the foodservice market, according to BIS Shrapnel. New Zealand is following an international trend where products considered to be healthy are first making inroads into the retail market, before slowly entering the foodservice market.

As New Zealanders are eating out more often, they are not only becoming more knowledgeable about good food but also more accepting of higher menu prices. But eating out has to represent value for money as customer expectations are growing, according to BIS Shrapnel.

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About BIS Shrapnel

BIS Shrapnel is Australia's leading provider of industry research, analysis and forecasting services. BIS Shrapnel helps clients better understand the markets in which they operate, through reliable and detailed market data, analysis of developments and drivers and thoroughly researched forecasts.

BIS Shrapnel compiles accurate, clearly explained and detailed information on industry sectors, markets and industries in which their clients operate. BIS Shrapnel provides market size and segmentation data, market shares, consumer attitudes and supplier reputation information, and regularly conducts both business-to-business and consumer research.

Over the company’s 44-year history, BIS Shrapnel has built up a strong level of expertise and unique methodologies for forecasting.

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