

PRESS RELEASE

18 August 2009

THE DOWNTURN COULD BE LEVELLING BUT KEEP COSTS UNDER CONTROL, URGES HORIZONS

Restaurant operators are being warned this week not to ease up on the tight cost controls they imposed as the recession deepened, even if they see an upturn in trading in the run-up to Christmas.

"There has been much talk of green shoots in the industry, but operators should treat this as the downturn levelling off, rather than trade improving," says Horizons' managing director Peter Backman.

"Consumers are likely to remain cautious with their spending but if the economy improves we could see confidence returning and restaurant spend rising, particularly as Christmas approaches."

Horizons warns that businesses are likely to take a longer-term view of the economy, remaining restrained when it comes to corporate entertaining and staff Christmas parties. "Restaurant operators shouldn't rely on an increase from corporate spend over the next few months, as companies will still be reluctant to spend money on entertaining, particularly if they are also making redundancies."

Peter Backman says that operators must continue to negotiate good deals from their suppliers, put more cost-effective dishes on menus, ensure they aren't over-staffed, and that food wastage is kept to a minimum.

"While food prices are currently stable and in the short-term might even fall slightly, long-term the economic indicators are that prices will increase again. Restaurateurs face further pressure in January when VAT returns to 17.5%. This will impose an increase of 2.1% across the board of VATable items, including meals eaten out, but not most supermarket food. This will widen the 'value' gap between eating out and eating at home. Foodservice operators will no doubt take action, including absorbing some or all of the increase if they can," adds Backman.

Food prices are expected to rise in the long-term largely due to the growing world population and pressure on demand from rising wealth in developing markets. Global population is expected to reach 9 billion by 2050, requiring a 70% rise in food production to prevent widespread hunger. The increasing cost of oil, fertiliser prices and the threat of climate change and water shortages will also put pressure on long-term food prices.

Horizons FS Limited

313 Regents Park Road · London N3 1DP

T: +44 (0)20 8349 0162 · F: +44 (0)8701 272 219

E: info@horizonsforsuccess.com

www.horizonsforsuccess.com

For queries or further details please contact Linda Pettit at
Tilburstow Media Partners on 01883 742955/07973 789853 or email
press@horizonsforsuccess.

Alternatively contact Peter Backman:

Office - 020 8349 0162, Mobile - 07785 242809

Email: peter@horizonsforsuccess.com

Website: horizonsforsuccess.com

Skype: prbackman

For URL for RSS feeds log-on to:

<http://www.horizonsforsuccess.com/index.php/rss/>

EDITOR'S NOTE

About Horizons

Peter Backman is the managing director of Horizons, the analyst and specialist information consultant for the foodservice and hospitality sector. Peter is an expert on the structure and dynamics of the foodservice sector, and its supply chain, in the UK and across Europe. He has been involved in foodservice, as an analyst, researcher and consultant, for almost 30 years.

Horizons helps its clients make better business decisions by providing accurate and detailed information about the foodservice market, its trends, and opportunities. The company provides consultancy services, workshops and statistical information based on its model of the sector and database of key accounts across Europe. The company recently acquired the QuickBite (consumer research) and Menurama (menu tracking) services, adding further depth to its statistical knowledge of the sector.

The company's clients includes Compass and Whitbread, suppliers such as 3663, Brakes, Cadbury, Coca-Cola, Procter & Gamble and Electrolux, investors JP Morgan and Goldman Sachs and trade associations such as the British Hospitality Association and the Food and Drink Federation. Horizons' views have been sought by organisations such as the Bank of England, the Department for Culture Media and Sport and the Department for Environment, Food and Rural Affairs.

Peter Backman is a regular contributor to industry conferences and his views are often sought by the business and trade press, TV and radio.

(ends)