

Can we predict who will survive the crunch?

There is no doubt that 2009 will be a year of winners and losers. So who will win in this turbulent market? So far it's takeaways and fast food concepts that are emerging strongest as consumers who would once have gone out to a mid-spend high street restaurant, instead pick up the phone and dial for a takeout.

Despite the slump US-based Yum! Brands for example, which operates the Pizza Hut, Taco Bell and KFC restaurant chains, has seen sales and profit grow worldwide by an impressive 7%. How has it done this? Largely by strong overseas sales and a massive presence in China. But it's more than that. With an eye on the future this is a company that is refusing to stand still yet is maintaining its sales growth by keeping prices and overheads low. In the US Yum! has announced plans to re-energise its fried chicken KFC business by introducing a new grilled chicken option. A new value menu is also planned.

Earlier this year Domino's Pizza announced a rise in annual sales across the brand of 18.4% to £350.8m, with like-for-like sales showing a 10% increase. Again, this is impressive stuff. Domino's is another innovator and one that has spent time building its on-line ordering business. It seems to have hit the spot. On-line sales have risen an impressive 74% to a value of £56m – helped by the timely sponsorship of *Britain's Got Talent*. Domino's has 553 stores in the UK but is aiming for 1,000 and, despite the economic doom and gloom, there seems no reason why it shouldn't achieve this.

Another US chain, Papa John's, which is now the world's third largest pizza company, is also beating the crunch. It has 118 outlets in the UK and recently announced that UK sales rose in January by 13%. Papa John's too, has plans to open more sites in the UK.

These are just some of the winners. The losers? One of the first, and the most high profile, was perhaps the collapse in – and out of – administration of chef Tom Aikens' three restaurants last October. A deal which immediately took the company out of administration under new ownership incurred the wrath of several suppliers. The Food & Drink Group, which operates Henry J Bean's has gone, as has FishWorks, Duchy Catering and four restaurants owned by the celebrity chef Antony Worrall Thompson. Gourmet Restaurants, with four restaurants and seven takeaways, sent in the receivers after its Tiffinbites

concept failed to catch on and after the perhaps mis-timed acquisition of the Bombay Bicycle Club and Varma businesses. Five French eateries in the north-west trading under the Le Frog Bistro name have gone into administration, while the Prezzo's management buyout failed to materialise, blaming current banking conditions. Sadly, there is bound to be more – the year has only just begun.

But what can we learn about who is likely to survive and who will not? It would seem that success is largely aligned with individual companies and operations, rather than specific sectors and that a good business model is key – with strong cost controls, a well-marketing brand, and a forward thinking management team. It's also vital that operators – whatever sector they are in - continue to innovate – whether it be by changing their menu, adding something cheaper or healthier or novel, or developing a new avenue of sales such as on-line ordering.

In this tough environment new customers are vitally important, but margins are paramount. Thus, successful operators will do all they can to attract custom with well-placed, value offers. But they will also modify their offer – perhaps by bundling the less expensive dishes on their menu with a bottle of wine at a slightly lower-than-normal margin and promote this as a “value deal for £10”. Successful operators will take every opportunity to up-sell. While marketing their wares strongly, they will also be looking at costs, using less product, using cheaper – but still acceptable quality – products, by shopping around for the best suppliers. But lastly they will have one eye on the time when things will pick up, and will be well-placed to capitalise on growth once this happens.

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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.

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