

Global Trends Affecting the Food Service Industry Today & Tomorrow

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I often get asked as to what I believe are some of those key, global trends that are, or will be impacting the global food service industry. Well, here are my thoughts on what I believe some of those trends are. This list is not meant to be all inclusive in nature as daily events and occurrences could, and will, have an impact upon this list.

In compiling these “trends” I have tried to segment them into “Macro” and “Operational” areas. Though, it should be noted, that several of the Macro trends could also be viewed as Operational in nature, and of course, just the opposite as well – several of the Operational trends could be viewed as Macro in nature. So, here goes ...

Those Macro Trends Impacting Our Industry ...

1. **Energy Efficiency** -- Greater emphasis is being placed on energy efficient products -- this will only get more important as the global demand for energy increases, especially with the rapid growth of the middle class in a growing number of countries combined, with the rising cost of energy
2. **Sustainability** – Primarily driven by consumers and end-user / operators, this driver is starting to impact all constituents within the supply chain and covers everything from resource utilization / conservation (water & energy); waste management; efficiencies; organic foods; sourcing; etc., etc. If you are not onboard, you need to be, and quickly.
3. **Rising Cost of Food** – The OECD is forecasting that the price of basic food stuffs (grains and rices) will increase by over 40% by 2018 from 2012 levels. This will / is impacting the entire food supply chain and is / will force operators to raise menu prices, seek alternatives and / or to “squeeze” the greatest yield that they can from current food purchases. I believe that it will also spur the advancement of different food “alternatives.”
4. **Rising Labour Costs** – On a global basis, labour costs are rising for operators in the food service industry. And importing “cheap” labour is becoming less and less attractive as growing government regulations are being “designed” to “hire at home.” As such, operators are looking to all supply chain constituents to “help” them deal with their labour issues.

5. **Lack of “Qualified” Labour** – Tied closely with the above dynamic, it is becoming more and more difficult all of the time to find people to work in this industry – across all market segments and constituent groups – who are “qualified.” Other industries than the food service industry are more appealing to today’s qualified labourers. The food service industry is perceived as being a “low tech, low intellectual” industry.
6. **Food Safety Issues** – This continues to grow in importance on a daily basis. More governments on a global basis are putting more and more rules and regulations in place to help control and monitor any food safety related “issues.” As the global food supply chain continues to expand and grow, food safety sourcing issues will become an even bigger issue in the future than they are now.
7. **Growth of International Chains** – All major markets of the world – India, China, South America, Indonesia, Russia, etc. (representing approximately 50% of the world’s population) – are “developing” new chains and chain concepts that in many cases are expanding at rates greater than that of the “traditional” global chains such as McDonalds, YUM, Burger King, etc. What an opportunity this is for all constituents in the supply chain.
8. **Growing Global Middle-Class** – As the middle class expands rather rapidly in the BRIC countries – and many other countries as well – the increase in discretionary disposal income is allowing people to eat out more frequently. The net result of this – more food service operations being established.
9. **Increased Government Rules, Regulations, Standards, etc.** – A growing number of countries around the world have, and continue to introduce legislation that is impacting all segments and constituents within the food service industry. The “Energy related Products” Directive (ErP) is one of the latest regulations coming out of Europe that will affect all equipment manufacturers wishing to sell into that market place. Look for a growing number of countries to implement similar type of standards and regulations.
10. **Increased Competition** – New manufacturers across all product categories of food service equipment are entering the marketplace every day. They are originating from countries such as India, China, Thailand, Brazil, Indonesia, Vietnam, etc. And look out for Africa! Billions are being poured into that continent.

11. **Growing Use of Non-Fossil Fuels for Energy** – As alternative energy sources are becoming cheaper and more efficient (solar and wind power in particular) a growing number of food service operators are looking to become users of non-carbon based energy. Several chains have preliminary plans already in place to have their stores become energy independent as alternative energy sources and technology make such goals attainable.
12. **Global Political Instability** – The Russia / Ukraine situation certainly highlights this dynamic. Already chains have contracted their expansion plans into Russia and Eastern Europe as they wait to see the outcome of the current situation. This is not the only political hot-spot of the world. Their growing numbers will have, and will continue to have, an impact on the food service industry.
13. **Changing Distribution Strategies** – The growth of the internet as a distribution component has changed the landscape forever of distribution in this industry. New players in the distribution field are also expected to emerge as “value proposition” become the key driver in how distribution strategies are designed and implemented.
14. **Greater Focus on the End-User / Operator for Innovation Ideas** – As manufactures begin to put more emphasis on developing value chains versus supply chains, greater focus will have to be put on the end-user / operator in order to ascertain their true needs, wants, desires, etc. of this constituent group. They are the only customer!
15. **Local Chains Like to Deal With Local Manufactures** – Whether it is in North America, Europe, Asia, Australia, you name it, a growing number of “local” chains want to deal with companies that are “local” – in the country in which they are doing business.
16. **Import Tariffs** – As the world seems to be gravitating towards more and more free trade blocks, there are still a very large number of countries (Brazil is a prime example) who just can’t give up those high import tariffs that they have in place. This obviously has a significant impact upon those companies trying to sell products to those “high tariff” countries, as well as those operators in those high tariff countries who wanted to purchase foreign manufactures equipment and supplies.

Those Operational Trends Impacting Our Industry ...

1. **Entry Cost of Capital Equipment for Operators** – As chains try to expand in a very competitive global environment, franchisors are constantly under pressure from new and existing franchises to provide the lowest cost equipment package that they possibly can. This trend is somewhat diabolically opposed to some of the other trends that are in play, such as efficiency, total cost of ownership, sustainability, etc. This market dynamic has obvious product and marketing implications for equipment manufacturers. (This dynamic not only applies to global, national, regional, and local chains, but to independent operators as well.)
2. **Growing Use of Technology** – End-user / operators are embracing the use of technology to enhance their customers' experiences as well as to garner sales and marketing data to improve their competitive positioning. Equipment manufacturers have opportunities to find ways to integrate their equipment into these "systems" as a way of assisting operators to gain a greater degree of knowledge about their entire operating environment and hence become better, more effective managers of their assets.
3. **Speed of Cooking / Speed of Cooling** – For food safety and operational effectiveness and efficiency, enhanced speed of cooking and conversely, the speed at which cooked product is cooled, will have a greater impact upon operators in the future as they look to streamline their operations in the growing competitive environment.
4. **Growing Importance of Total Cost of Ownership** – Tied directly with energy efficiency, sustainability, product reliability, and service, to mention but a few, this subject is gaining a considerable amount of attention from a growing number of global chains – food service and hotels – as well as several institutional segments, as a means of decreasing overall costs and improving profitability.
5. **Multi-Purpose / Functional Equipment** – As kitchens become smaller and smaller (real-estate costs, equipment costs, quality and quantity of labour, etc.) the demand for multi-purpose / multi-functional equipment will continue to grow. But such equipment needs to be easy to use and maintain.

6. **Improved Reliability of Equipment** – Down time cost operators sales and profitability. Keeping equipment at peak operating performance will be a challenge for food service equipment manufacturers and their end-user / operators. The use of technology can enhance this dynamic and is a possible key differentiator.
7. **Customer Service as a Key Differentiator** – Innovation and service – the only two areas in which a company can truly have a sustainable advantage in today’s marketplace.
8. **Data Mining** – the gathering of relevant data; the analysis of that relevant data; and making that relevant data actionable will help companies provide superior customer service and drive true, sustainable innovation.

And that’s it – Doug’s thoughts with respect to those global trends affecting our industry today and as we move forward. If you would like to discuss any of these trends further, or if you would like to add some to the list, please feel free to give me a call or send me an e-mail with your thoughts. I would appreciate any and all comments.