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FOODSERVICE INDUSTRY

MISC Australia

Market Intelligence Strategy Centre

Eat out of Home Meals' Market will account for $23billion institutional and retail meal expenditure in 2000.

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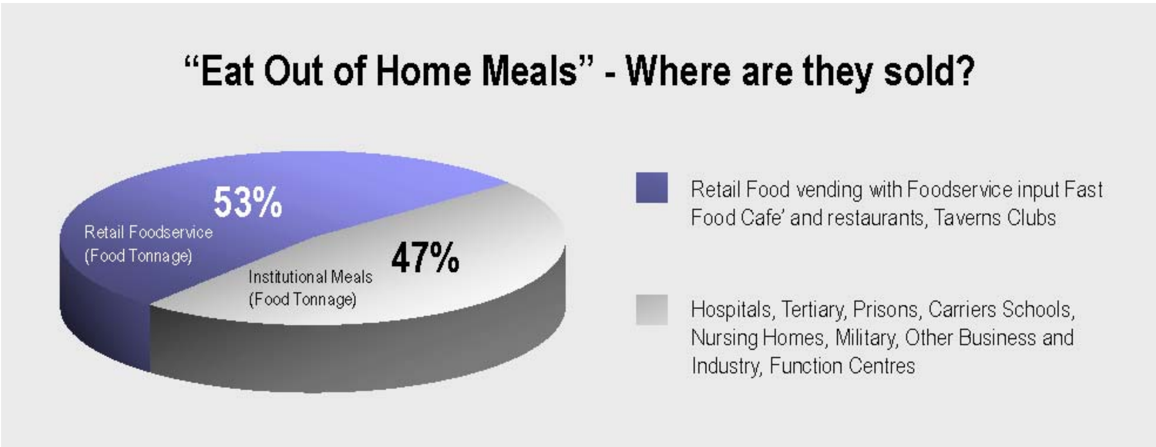
Eat out of Home Meals' Market will account for $23billion institutional and retail meal expenditure in 2000.

Sponsors through the Market Intelligence Strategy Centre (MISC), a sister consulting company of independent research group, MINTEL, announced today that Australia's 'Eat out of Home Meals' Market will account for $23billion institutional and retail meal expenditure in 2000. Furthermore, 47% of these meals (in food tonnage terms) will be served via traditional Institutional Foodservice channels/ market segments, such as Schools, Hospitals, Prisons, Air Carriers etc.

A group of Australia's leading Foodservice suppliers, Simplot, Mainland Foodservice, Goodman Fielder and Cerebos/Menu Master have combined to sponsor and underpin the development of Australia's first, independent, Foodservice Industry Research Programme. The ultimate aim of the programme is to finally establish an accurate and regular product sales measurement system, similar to the scan measures that exist in grocery.

Programme development Sponsors acknowledge that this unique measure of meal sales through more than 25 retail and institutional channels/segments that supply meals to Australians will be the first complete measure of all food and beverage sales that are generated in the Foodservice industry. Critically, this will also be the first measure of this industry that has **NOT** been based upon estimates of 'claimed purchases' or questionnaires.



Source: MINTEL/MISC Foodservice International Analogous Model (Stage 1 of the MISC Foodservice Product Audit)

The MISC volume measure reveals that there are more than 3.5 billion **complete** meals consumed in the Australian market annually. This is 20% higher than previous market estimates have shown. MISC said today that total meal volumes amounted to more than 181 meals per capita, and signified that Foodservice as a market, was considerably larger than had previously been considered. By way of comparison the Foodservice Meals market in the US has a retail value of approximately $US300 billion.

Furthermore, MISC noted that the trend towards greater Institutional catering had fostered the widely promulgated ‘away from home eating’ phenomenon. It has previously been considered that the market was driven primarily by Retail Foodservice channels, when in fact the Institutional meals sector has actually captured 47% of the market.

Importance of the Foodservice Meal market Aust /US Comparison	
Dimension	**Measure**
Total Aust. Food Service Meal sales 2000 (Institutional and Retail meal value)	$23,331 million (projected)
Total Aust. Food Service meal sales 1999	$22,661 million
Total Aust. Meals Volume 1999	3,453 million
Meal Volume Per Capita (Australia)	181
US Foodservice Meal Sales -Retail	$US309 billion*
Source: MINTEL/MISC Foodservice International Analogous Model (Stage 1 of the MISC Foodservice Product Audit) * Source: Food Marketing Review - Economic Research Service - US Department of Agriculture (Note: Other estimates of the US Foodservice market may vary - e.g. “more than $US340 billion.” “Coordinating Production and Marketing in US Agriculture”. ERS)	

Goodman Fielder, Cerebos/Menu Master, Simplot and Mainland Foodservice as Stage 1 Sponsors have combined with MISC to assist in the development stage of the first census- styled measure of the broader Australian Foodservice industry. MISC has also developed a predictive model to map the entire Foodservice market for the first time in Australia and benchmark it against the US Foodservice market and customer channels. Accordingly, Sponsors have been able to forecast volumes of supply across 55 product sectors by 25 Foodservice channels and actually determine their share of crucial product sectors in critical customer channels. Each Sponsor is able to manipulate the model according to a number of customer channel variables that are in-built. (eg predicted food meal changes to special diets in hospitals). This first stage of research will underpin and assist in the development of a regular measurement monitor.

“Eat Out Of Home Meals” Is An Increasingly Attractive Market For Food Companies Who Can Target It Effectively.

The attractiveness of the “ Eat Out of Home Meals” Market for food companies is somewhat eclectic and has led many food companies to focus their marketing efforts on servicing the Retail Foodservice sector. The sector includes the high volume Fast Food channel and wholesale food price premium channels like Cafes & Restaurants (which source more fresh food products less pre-prepared processed food).

The large meal volumes which flow through the less glamorous Institutional Meals sectors make these channels equally important to garner significant exposure, despite evidence of. lower average food cost per meal (ie $2.20) compared to other Retail focused Foodservice (ie $4.62). The explanation lies in the higher volume demand of cheaper processed and pre-prepared foods in this sector. In addition, channels within it often have their meal cost subsidised. For example, employers often subsidise workplace canteens. School tuck shops are often subsidised as well. The challenge for food companies servicing this sector, and those seeking business development opportunities such as Fast Food retailers, is that Institutional Meals channels are often small and geographically dispersed. Therefore they pose logistical challenges to service cost-efficiently.

The distinction between food costs per meal in Fast Food outlets versus other Foodservice has much to do with two specific meal production issues:

1. Greater reliance on processed foods
2. Operational scale whether reflected through buying power or distribution economies

Wholesale Food Price Differentials In The "Eat Out Of Home Meals" Market	
Meal Delivery Channel	**Average Food Cost per Meal**
Fast Food	$ 2.16
Other Retail Foodservice Meals (inc. Pubs, Bars, Clubs, Cafes & Restaurants etc.)	$4.62
Institutional Meals (inc Education, Business & Industry Canteens etc.)	$ 2.20
Source: MINTEL Fast Food Chain & Independent Retailing Survey 1999/MISC Foodservice International Analagous Model (Stage 1 of the MISC Foodservice Product Audit)	

The Market Defined

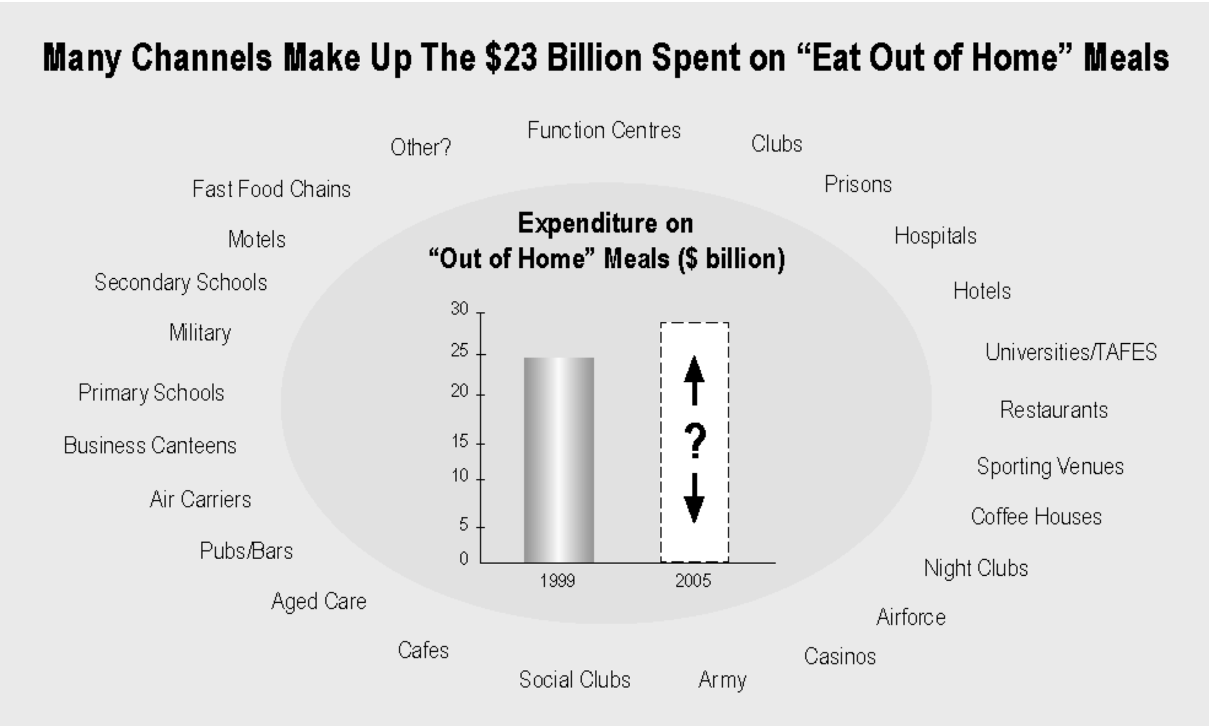
The "Eat Out of Home Meals" market sector is made up of food and beverage sales of Institutional service and Retail operators who produce and offer meals in more than 25 different channels. The market is characterised by channels that reflect its complexity as they are both many and diverse in their patronage as the following table illustrates. The "Eat Out of Home Meals" Market generates sales of food and beverages via two delivery sectors as outlined below:

(1) Retail Foodservice Sector
Includes operators whose primary modus operandi is retailing of meals such as Cafes, Restaurants and Fast Food operators etc. and those commercial operators that vend meals as a secondary or non-core facet of their operations such as Sporting Venues, Bars, Night Clubs

Typical Retail Foodservice Channels:
Cafes, Restaurants, Fast Food, Pubs, Bars, Taverns, Night Clubs, Sporting Venues

(2) Institutional Meals Sector
Institutions whose primary reason of being is not to provide Food or Beverage services, but who provide meals as a by-product of their operation.

Typical Institutional Meals Channels:
Schools, Primary & Secondary, Universities & TAFEs, Hospitals, Prisons, Workplace Canteen, Air Carriers, Military, Function Centres



*** Note: Excludes sale of beverages for consumption off premises**

MINTEL/MISC Research Programme Background
MINTEL has completed three strategic research programmes critically assessing the Prepared Meals market. The Convenience Meals and HMR study comprehensively assesses the development of HMR in relation to the broader Convenience Meals market. The second stage of the research series measures the Fast Food Chain and Independent Retailing market where Chains and Independent retailers were measured competitively, for the first time, on an micro-geographical basis. Now MINTEL via its sister consulting arm, MISC has also completed the first stage of its census-styled Foodservice Industry Survey. For further information relating to this unique research series please contact the Marketing Department at the MINTEL group.