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# **Report Name:** Food Service - Hotel Restaurant Institutional

**Country:** United Kingdom

**Post:** London

**Report Category:** Food Service - Hotel Restaurant Institutional

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**Report Highlights:**

The hospitality industry was one of the hardest hit sectors during the pandemic but bounced back to pre-COVID levels since the full reopening of the sector in March 2022. However, the industry now faces an even bigger challenge with the cost-of-living crisis affecting the UK. Supply shortages, delays to deliveries, and staff shortages are having a significant impact on everyday business operations. Health, sustainability, and innovation are the biggest trends within the sector, with vegetarian, and vegan dishes remaining popular.

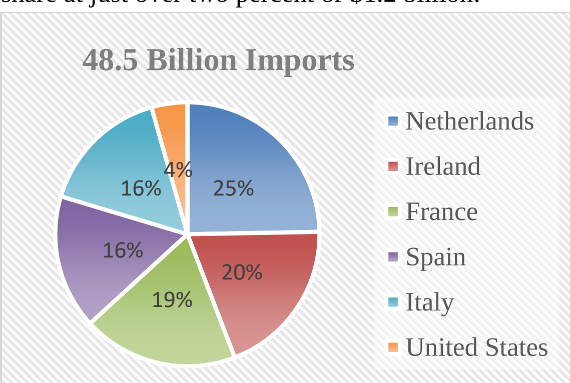
## Market Fact Sheet: United Kingdom

### Executive Summary:

According to the CIA World Factbook, the United Kingdom (UK) with a population of 67.7 million is a leading trading power and financial center and the third-largest economy in Europe. Agriculture is intensive, highly mechanized, and efficient by European standards, but accounts for less than one percent of the gross domestic product (GDP). While UK agriculture produces about 60 percent of the country's food needs with less than two percent of the labor force, the UK is heavily reliant on imports to meet the varied demands of the UK consumer, who expects year-round availability of all food products. The UK is very receptive to goods and services from the United States. With its $3.2 trillion GDP in 2021, the UK is the United States' seventh-largest market in the world for all goods and services. Demand for U.S. consumer-oriented food products continues to differentiate the UK from many of its European neighbors.

### Imports of Consumer-Oriented Products

According to Trade Data Monitor (TDM), in 2021, the UK imported consumer-oriented agricultural products worth $48.5 billion, with the United States' market share at just over two percent or $1.2 billion.




### Food Processing Industry:

According to the Food and Drink Federation, the food and drink sector is the single largest employer in the UK manufacturing sector. Around 440,000 people across the UK are employed in jobs associated with food and drink manufacturing. In 2021, the food and drink manufacturing sector's output was valued at $34 billion with an annual turnover of $127 billion.

### Food Retail Industry:

The food retail sector is saturated, highly consolidated, and competitive. The top four retail groups (see chart) together account for 65 percent of the market. Independent stores continue to face strong competition from grocery retailers and online retailers. Online grocery shopping remains stable after achieving unprecedented growth in 2020 as shoppers return to in-store shopping. Online sales are predicted to increase to become the second fastest growing channel post-2024, as rapid grocery deliveries between 30 minutes and an hour become increasingly popular. UK consumers are willing to try foods from other countries but expect quality products at a competitive price. Aldi has recently overtaken Morrisons to become the fourth largest UK supermarket for the first time.

***Quick Facts CY 2021 ($1=£0.88)***

**Total Imports of Consumer-Oriented Products:**
$48.5 billion

**UK's Top Consumer-Oriented Growth Products**

| | |
|---|---|
| 1) Non-Alcoholic Beverages | 6) Cut flowers |
| 2) Chewing Gum and Candy | 7) Wine |
| 3) Distilled Spirits | 8) Condiments/sauces |
| 4) Dog and Cat Food | 9) Spices |
| 5) Beef and Beef Products | 10) Beer |

**Food Industry by Channels (USD billion) 2021**

| | |
|---|---|
| Food Industry Output Value | 131.2 |
| Food Exports | 25.5 |
| Food Imports | 57.2 |
| Consumer Retail Expenditure | 277 |
| Food Service | 40 |

**Top 10 Host Country Retailers**

| | |
|---|---|
| 1) Tesco | 6) Lidl |
| 2) Sainsbury's | 7) Cooperative |
| 3) Asda | 8) Waitrose |
| 4) Aldi | 9) Iceland |
| 5) Morrisons | 10) Marks & Spencer |

**GDP/Population**

Population *(millions)*: 67.7 GDP *(trillions)*: $3.2
GDP per capita: $46,400

**Sources:** CIA World Factbook, TDM, Kantar Worldpanel, UK Government Statistics

| Strength | Weakness |
|---|---|
| UK is one of the biggest markets in Europe with one of the highest per capita incomes globally | U.S. products face competition from tariff-free products from the EU and Free Trade Agreement (FTA) partners. |
| **Opportunity** | **Challenge** |
| Demand for products that sustainable or environmentally friendly or which are healthy, free-from, vegetarian or convenience products. | Labor shortages and supply chain issues have had a detrimental impact on the sector. |

## SECTION I. MARKET SUMMARY

The hospitality industry was one of the hardest hit sectors during the pandemic, resulting in an extremely challenging two years (2020 and 2021). Restrictions included forced closures, reduced opening hours, and reduced capacity due to social distance requirements.

According to UKHospitality, between March 2020 and December 2021, the foodservice sector lost $143.5 billion worth of sales. . COVID-19 resulted in some businesses closing completely, with others changing operations to include takeaways, creating outside eating areas, or offering a delivery service. This resulted in deliveries and takeaways increasing by 138 percent between January 2019 and January 2022.

The UK foodservice and hospitality sector fully reopened in March 2022, and in recent months has experienced sold-out hotels, fully-booked restaurants, and an eagerness from the public to enjoy a pre-pandemic lifestyle again. A poll carried out by UKHospitality showed that in March 2022, 70 percent of consumers felt confident about visiting pubs, bars, and restaurants, compared to 34 percent in early 2021. The UK was one of the first countries to discard COVID entry testing, resulting in a return of international tourists.

However, the industry is now faced with an even bigger problem than COVID. It is anticipated that the cost-of-living crisis affecting the UK will do more damage than COVID-19. UK inflation has risen at the fastest rate in 40 years and was at 10.1 percent in August 2022. Energy bills are at unprecedented levels with venues predicting extra costs of $25,000 in utilities annually by the end of 2022. This will be unsustainable and result in many business closures, leading to high unemployment levels. In June 2022, according to the BBC, the number of pubs in the UK were the lowest on record. There were 39,970 pubs, down by more than 7,000 since 2012.

In addition to the cost-of-living crisis, operators must contend with supply shortages. Unavailable product lines, delayed deliveries, staff shortages, and higher cost of products are having a significant impact on everyday business operations.

**Trends:**

**Health:** Consumers are trying to lead healthier lifestyles by making healthier choices when eating out. In addition, there is an increase in the number of people following vegetarian, vegan, or free-from diets. Foodservice operators need to ensure they cater to this growing trend, in addition to those who desire more indulgent food.

**Sustainability:** Extreme heat, and lack of rain are two factors raising awareness of the impacts of climate change. Consumers want to support local businesses and take an interest in where products are from and if they are sustainably grown. According to the CGA Food Insights Report, 42 percent of consumers feel that venues do not do enough to inform customers about the products' sustainability, with 58 percent demanding more information on menus.

**Technology:** According to UKHospitality, the pandemic forced the industry to increase its use of technology. Forty-eight percent of consumers now use digital technology such as an application to book, order, or pay for their meals, an increase of 12 percent from August 2020.

**Overview of the foodservice market in the UK in 2021**

The below table shows a breakdown of the foodservice market in the UK. Sales for the past two years are not an accurate reflection of the industry. Therefore, 2019 figures should be taken into consideration and are shown below. According to UK foodservice specialist Peter Backman, in 2021, total UK foodservice food and drink sales amounted to $40 billion, a 34 percent drop from pre-pandemic levels when the market achieved $66 billion in sales.

Table 1. Breakdown of UK Foodservice Market

| | **Number of Outlets** | | **Meals in ($ Billons)** | | **Purchases Food ($ Billions)** | | **Purchases Food and Drink ($ Billions)** | | **Sales Food and Drink – ($ Billions)** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2019** | **2021** | **2019** | **2021** | **2019** | **2021** | **2019** | **2021** | **2019** | **2021** |
| **Restaurants** | 30,768 | 29,106 | 0.8 | 0.4 | 2.7 | 1.6 | 4.1 | 2.2 | 15.8 | 8.7 |
| **Quick Service Restaurants (QSR)** | 35,154 | 35,154 | 2.3 | 1.8 | 3.8 | 2.9 | 4.6 | 3.5 | 18.3 | 13.9 |
| **Pubs** | 39,288 | 39,288 | 0.7 | 0.4 | 1.5 | 0.8 | 2.1 | 1.1 | 6.8 | 3.6 |
| **Hotels** | 43,606 | 43,606 | 0.6 | 0.3 | 2.4 | 1.1 | 3.1 | 1.6 | 13.2 | 6.6 |
| **Leisure** | 20,342 | 20,342 | 0.5 | 0.2 | 1.0 | 0.4 | 1.25 | 0.8 | 5.3 | 2.0 |
| **Staff Catering** | 16,334 | 16,334 | 0.7 | 0.4 | 1.1 | 0.6 | 1.37 | 0.8 | 3.0 | 1.7 |
| **Health Care** | 32,479 | 32,479 | 0.9 | 1.0 | 0.9 | 0.6 | 0.8 | 1.4 | 1.1 | 1.7 |
| **Education** | 34,175 | 34,175 | 1.2 | 0.8 | 1.0 | 0.6 | 1.1 | 0.8 | 1.7 | 1.1 |
| **Services** | 3,068 | 3,068 | 0.3 | 0.3 | 0.3 | 0.25 | 0.4 | 0.4 | 0.4 | 0.4 |
| **TOTAL** | **255,215** | **253,552** | **7.97** | **5.5** | **14.7** | **9.6** | **19.0** | **12.2** | **66.0** | **40.0** |

Source: Peter Backman Foodservice Consultancy

**What the future holds:**

- UKHospitality, the trade association that represents the UK foodservice industry, anticipates that one in five hospitality businesses will go out of business if government support is not available for them to survive the current cost-of-living crisis.
- Consumers will be eating out less as they need to stretch their income further. Consumers who do not want to eat at home will likely opt for takeaways, increasing the number of people using food delivery services, such as Just Eat or Deliveroo, or else will downscale and eat in cheaper restaurants.
- Smaller/Independent operators will continue to feel the pressure, with many likely to be driven out of the market due to the higher energy costs and inflation. Independent casual restaurants face stiff competition, as consumers move towards fast-casual chains or takeaways.
- There will be an increase in vegetarian and vegan offerings as more consumers are concerned about their health and sustainable food practices.
- Supply chain issues, including unavailable product lines, and delays to deliveries will continue into the foreseeable future.

**Table 2. Major Advantages and Challenges for U.S. Exporters**

| Advantages | Challenges |
|---|---|
| UK foodservice sector is historically strong and still growing. U.S. food service chains such as Five Guys, Hard Rock Café, and TGI Fridays are popular. | Strong price sensitivity. UK consumers demand quality but at affordable prices. |
| There are many specialty importers capable and interested in importing from the United States. | The UK has well-established brands for mainstream products, as well as private label products being popular and well regarded. |
| UK consumers view U.S. products as affordable. Some affluent UK consumers have the disposable income to spend on eating out. | Poultry, red meat, and dairy imports are highly regulated by the UK, with U.S. exports facing SPS barriers to entry. |
| Country is English-speaking and is therefore a gateway into Europe for U.S. exporters. | Negative stories and misinformation about U.S. food products, such as chlorinated chicken, and meat with hormones etc. |
| The United States is a popular destination for UK tourists and familiarity with U.S. products and restaurant chains is widespread. | Popularity and acceptance of specialty products from EU countries is high among British consumers, e.g., French cheeses, Spanish citrus, and Italian pasta. |

Source: FAS London

## SECTION II - ROAD MAP FOR MARKET ENTRY

### Market Structure

More than half of all food and beverage products sold to food service operators are through wholesalers. Larger operators buy from wholesalers, while smaller outlets are likely to buy from either smaller wholesalers known as cash and carries or retail stores. Specialized importers have in-depth knowledge of import requirements, such as certification, labeling, and packaging regulations. Due to the large number of companies operating within the foodservice market, intermediaries skilled in fulfilling small orders efficiently play a pivotal role in the distribution of products. Aramark, Bidfood Foodservice, Brakes, Compass Group, Mitchells & Butler, Sodexho, and Whitbread are among the largest operators of this type in the UK. Pubs, clubs, and bars make up the largest channel in the UK foodservice sector by revenue, accounting for $19.3 billion in 2021. Exporters and distributors providing to these venues have ample opportunity, although they may be hindered by the lingering supply chain challenges.

### Entry Requirements:

Successful market entry to the UK requires good knowledge of the UK consumer, meaning substantial homework on the part of the U.S. exporting company to ensure that all import regulations and labeling laws are met. These are covered in the Food and Agricultural Importer Regulations (FAIRS) Report and is a good source for country specific information.

Once U.S. companies have acquired this background information, they may consider attending or visiting one of Europe's USDA endorsed trade shows. They serve as a springboard into the market, helping companies establish new trade contacts and gauge product interests. Although the UK does not have the huge shows that other European countries host, U.S. companies specifically targeting the UK market, should consider attending the shows shown in Table 3:

**Table 3. HRI-Related Trade Shows in the United Kingdom**

| Trade Show | Description |
|---|---|
| **The Big Hospitality Expo**<br>September 26 - 28, 2022 | For those in hospitality industry, caters, restaurants, hotels, pubs, and bars. www.bighospitalityexpo.co.uk/ |
| **BrewLDN**<br>2023 dates not yet announced | Trade & consumer show for craft beer.<br>www.brewldn.com |
| **Hotel, Restaurant & Catering**<br>March 20 - 22, 2023 | The UK's leading hospitality and foodservice event.<br>www.hrc.co.uk |
| **Imbibe Live**<br>July 2-4, 2023 | Exhibition focused on alcohol served in licensed on trade establishments. www.live.imbibe.com |
| **Great British Beer Festival**<br>August 2023 | Large consumer beer show with a trade afternoon.<br>www.gbbf.org.uk |
| **The Casual Dining Show & Lunch Trade Show,** September 2023 | These shows are co-located and dedicated to the casual dining and food to go sectors. www.casualdiningshow.co.uk<br>www.lunchshow.co.uk |

**State Regional Trade Groups (SRTG)** are non-profit trade development organizations that help U.S. food producers and processors to enter overseas markets. They are funded by USDA/FAS and the private industry. They conduct promotional activities to increase exports of U.S. high-value food and agricultural products. For more information, contact the state regional trade group responsible for your state: https://www.fas.usda.gov/state-regional-trade-groups

The **U.S. Agricultural Export Development Council** is of the umbrella U.S. commodity trade associations with an interest in promoting U.S. agricultural exports. For an overview and additional information on the various Commodity Groups, you can go to www.usaedc.org. The Commodity Cooperator Groups regularly organize (reverse) trade missions, often organized around trade shows or other events. They also are excellent platforms for U.S. suppliers of specific commodity to meet with foreign buyers.

**Sub-Sector Profiles**

**Leading Chain Consumer Foodservice Brands by Number of Outlets 2021***

| Rank | Operator | Main Sector | Global Brand Owner | No. of Outlets |
|---|---|---|---|---|
| 1 | Stonegate Group | Pubs | Stonegate | 4500 |
| 2 | Costa Coffee | Restaurants | Whitbread Plc | 2,606 |
| 3 | Subway | QSR | Doctor's Associates Inc. | 2,364 |
| 4 | Greggs | QSR | Greggs Plc | 2,057 |
| 5 | Admiral Taverns | Pubs | Admiral Taverns Ltd. | 1,046 |
| 6 | Marston's | Pubs | Marston's Plc | 1,476 |
| 7 | McDonald's | QSR | McDonald's Corp | 1,323 |
| 8 | Punch Taverns | Pubs | Punch Taverns Plc | 1,267 |
| 9 | Domino's | QSR | Dominus's Pizza Inc. | 1,138 |
| 10 | Starbucks | QSR | Starbucks Corp | 1,020 |

(Source: Euromonitor)

## SECTION III. COMPETITION

The EU is the main competitor for U.S. consumer-oriented food. According to the Office of National Statistics, the EU supplies 28 percent of food consumed in the UK. EU food exporters have relatively low transportation costs and fast delivery times. Their products do not face import duties, nor do they face major ingredient or labeling changes. Fresh and frozen fruit and vegetables primarily come from the EU., the United States is the largest non-EU supplier to the UK, with four percent of all UK food and drink imports. China, Brazil, South Africa, and Canada are some of the other top non-EU suppliers. The three largest imported commodity groups by value were fruit and vegetables, meat, and beverages.

**Overall Competitive Situation for Consumer-Oriented Products (2021)**

| Product Category Total UK Import | Main Suppliers in Percentage | Strengths of Key Supply Countries | Advantages and Disadvantages of Local Suppliers |
|---|---|---|---|
| **Wine & Beer** (HS 2203, 2204, 2205, 2206) **USD 4.8 billion** | 1. France - 30.4%<br>2. Italy – 17.6%<br>3. Spain – 7.3%<br>**7.. USA – 4.8%** | Proximity, reputation, climatic conditions for wine growing. | Limited wine grown in the UK, therefore necessity to import. |
| **Tree Nuts** (HS 0801 +0802 +200819) **USD 698 million** | 1. **USA – 23%**<br>2. Vietnam – 12%<br>3. Germany – 9.9% | USA is the leading supplier of almonds, walnuts, pistachios, and hazelnuts. | Growing demand from the snack industry. Nuts benefit from their healthy reputation. |
| **Food Preparations** (HS 210690) **USD 1.5 billion** | 1. Germany – 15.8%<br>2. Denmark – 10.8%<br>3. Netherlands – 10.6%<br>**5. USA –7.6%** | Proximity and availability. | Strong domestic food industry. |
| **Distilled Sprits** (HS 2208) **USD 1.2 billion** | 1. France – 22.8%<br>2. Italy – 16.6%<br>**3. USA – 9.9%** | Proximity to the UK. | Scotland is a big producer of whisky and is competition for the United States. France exports brandy and Italy liqueurs. |
| **Fish & Seafood** (HS 03 + HS 16) **USD 4.5 billion** | 1. Norway – 16.9%<br>2. Iceland– 8.6%<br>3. Vietnam – 6.8%<br>**15. USA – 3.8%** | USA is the third largest supplier of Alaska Pollock fillets, used as an alternative to cod or in fish fingers. | Tradition in seafood trading and processing. Fish is popular. |
| **Sauces and Preparations** (HS 2103) **USD 1.0 billion** | 1. Netherlands – 21.2%<br>2. Italy – 11%<br>3. Poland – 9.5%<br>**11. USA –3%** | Proximity and availability. USA is well known as a supplier of BBQ and hot sauces. | Strong domestic food industry. |
| **Sweet potatoes (**HS071420) **USD 121 million** | **1. USA – 43.9%**<br>2. Egypt – 15%<br>3. China – 13% | The United States is the largest exporter of sweet potatoes to the UK. | Supermarkets sell fresh and processed sweet potatoes |
| **Peanuts** (HS 1202) **USD 180.6 million** | 1. Argentina – 38.1%<br>**2. USA – 20.5%**<br>3. China – 15.8% | | Not grown in the UK. Demand from snack food industry. |

With the UK having left the EU and the transition period ended at the end of 2020, the foodservice industry has had to compete with other industries as well as other European countries to keep its labor force. Most of the labor force within the foodservice industry comes from other countries. With the changes to labor laws in full affect, many Europeans returned to their home countries or to other European countries to seek employment. This has led to a labor shortage within the foodservice sector.

## SECTION IV. BEST PRODUCT PROSPECT CATEGORIES

**Products in the market that have good sales potential:**

- **Processed Products**: snack foods, sauces, dips, and salsas, etc.
- **Dried and Processed Fruit:** cranberries, dried cherries, prunes, raisins, berries
- **Nuts:** almonds, peanuts, pecans, pistachios, walnuts
- **Fish and Seafood:** cod, pollack, salmon, scallops & other fish products
- **Fresh Fruit and Vegetables:** apples, grapefruit, pears, sweet potatoes, table grapes
- **Meat:** hormone-free beef and pork products
- **Drinks:** craft beer, spirits, and wine

**Products not in the market because they face significant barriers:**

- **Food additives**
- **Red meat and meat products produced with growth hormones**
- **Most poultry and poultry products**
- **Genetically modified products that are not approved by the UK.**

**Top Consumer-Oriented Products Imported from the United States**

| Product Category | Growth 2016 to 2021 (%) | U.S. Exports to UK 2021 ($ million) |
|---|---|---|
| Wine | -41.9 | 195.3 |
| Tree Nuts | -13.0 | 173.1 |
| Food Preparations | -10.1 | 151.9 |
| Distilled Spirits | -12.3 | 107.2 |
| Fresh Vegetables | -25 | 63.4 |
| Processed Fruit & Vegetables | -29.7 | 60.4 |
| Bakery Goods, Cereals, and Pasta | -19.8 | 47.9 |
| Non-Alcoholic Beverages, Exc. Juices | -1.8 | 42.5 |
| Confectionery | +48.5 | 35.8* |
| Dairy Products | +451.8 | 29.8 |
| Condiments & Sauces | +8.4 | 29.5 |
| Chocolate & Cocoa Products | -17.0 | 27.8 |
| Eggs and Products | +175.3 | 24.5 |
| Other Consumer Oriented | -26.0 | 14.6 |
| Beer | -48.6 | 13.3 |
| Dog & Cat Food | +56.9 | 10.2 |
| Fresh Fruit | -76.8 | 9.2 |
| Fruit & Vegetable Juices | -50.0 | 5.2 |
| Pork & Pork Products | -11.1 | 4.0 |
| Beef & Beef Products | -57.6 | 2.5 |
| Poultry Meat | -57.1 | 0.3 |

Source: BICO Report/U.S. Bureau of the Census Trade Data

## SECTION V: KEY CONTACTS AND FURTHER INFORMATION

If you have any questions or comments about this report, require a listing of UK importers or need any other assistance exporting to the United Kingdom, please contact the USDA office in London.

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**Attachments:**

No Attachments