Lakeside has extended its food offer

An appetite for dining out

The food and beverage sector has been the standout performer in retail destinations but, as chains and independent niches proliferate, where will the next phase of growth come from? **Mark Faithfull** asks how dining out will develop as the market matures

UK consumers have fallen in love with dining out, whether that's a coffee on the way to work, casual dining from street food vendors and pop-ups, or eating in one of the proliferating chain restaurants.

In the past few years there has been a shift in space from traditional retailing in malls and high streets towards food and beverage concepts. The term fast-food has broadened to include higher quality offers, and quirky brands have been introduced to malls that would have once been no-go locations. These changes beg the question: where will the next phase of growth come from?

Is there more growth to be had, or has the UK shopper had their fill of gourmet burgers, locally sourced produce and trendy drink-and-dine establishments?

HUNGER STRIKES

The food and beverage industry has benefited from a convergence of positive factors. These include an increase in retail space available because of the ecommerce and austerity-led downsizing; a warming of investor attitude to the value of food and beverage in malls; and a consumer shift towards experiences.

Other drivers include the increase in leisure in shopping centres – to which food and beverage is a natural bedfellow – and the rise in temporary and shorter-term space available for street brands and start-ups wishing to dabble in retail.

This combination has been intoxicating, as Local Data Company figures for the past five years to June demonstrate. An additional 15,629 leisure outlets have opened during this period, up 15% – 12,070 of these outlets are run by independents, a category out-performing growth of 17.7% and nearly double the expansion achieved by the chains. Six of the 20 fastest-growing categories across all retail ↘

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>
> MATTHEW HOPKINSON, LOCAL DATA COMPANY

The need for speed

Jonathan Doughty, head of EMEA foodservice consulting at JLL's food and beverage specialist Coverpoint, has a simple but effective way of demonstrating the new paradigm in dining, holding up a £10 note and a watch. "If you run F&B this is what you are competing for," he says. "And increasingly, it's the value of their time not price which is where customers are most sensitive."

However, Doughty stresses that this does not mean shoppers are looking for fast food, but rather quality and service delivered to the new time demands.

He adds: "The new fast food is still served fast but whether it's street food like RibMan or Tortilla, or healthy such as Leon and Pod, centres need to ensure they offer different cuisines, service different day parts, are dispersed throughout and are destinations, not functional.

'New' fast food now encompasses healthy options such as Leon

sectors are food and beverage. Costa, Wild Bean Cafe, Subway and Bill's have all been among the notable expansionists in their own sub-categories.

At a time when much of the discussion about growth rates has been focused on private equity-backed casual dining and coffee offers, the out-performance among independents stands out, as does the bullish growth projections from some of the major chains.

"The growth has been phenomenal but the question is whether this is becoming a bubble," says Matthew Hopkinson, director at research provider Local Data Company. "Yes there is far more eating out but there is also wage deflation, the risk of sales cannibalisation and the response from the supermarkets to food and beverage. At the same time, the most popular shopping centres and high streets are highly sought after, which inevitably means increased rents and premiums for the best sites."

75%

of 18 to 34 year olds have eaten out in the past two weeks compared with the average for all adults at 67%

SOURCE: FOOD AND BEVERAGE: A SOLUTION FOR SHOPPING CENTRES?

Hopkinson says against such a backdrop, the stated intent by some chains to double their portfolios appears ambitious. "It feels to me that we will have to start seeing a plateau in growth," he reflects. "That said, there are still opportunities around the right mix of food and beverage, cinemas and leisure and accommodation."

Matt Taylor, associate partner at property consultant MMX Retail, adds that, while London has proven its own phenomenon in terms of the offers that have been successful, some of these trends are now spilling out to the wider UK market, offering new avenues for growth.

"The specialisation that started in London is beginning to be apparent in other cities. For example, we're seeing the emergence of the festival scene taking space in markets and retail destinations. We're also seeing a rise in prohibition-style clubs and restaurants that market by word of mouth and might have an unmarked doorway in a building in the middle of nowhere. It's the sort of strategy that would never pass any sort of marketing plan but is proving popular among consumers.

"For shopping centres the key drivers are quality and differentiation. So while any food and beverage element of a mall might contain half a dozen of the big chains, ideally each representing a different cuisine, there is also the appetite for new providers, often locally sourced and high quality," says Taylor. "Landlords are much more prepared to go for this sort of mix and to revolve some of the operators to keep things fresh."

Taylor points to the work in Bath and also in Oxford, where local and locally relevant operators have been brought into the retail areas hand-in-hand with the major chains. He believes the next natural extension of this is evident in food-focused destinations such as St Nicholas Market in Bristol, where about 30 operators have been brought together in a single space. He feels this reflects the move towards a "quasi-tapas style of eating" and that diversity of offers under one roof will become increasingly important.

Somewhat ironically, this begins to hail back to the halcyon days of the oft-derided food court, an idea which James Cons, managing director at Leslie Jones Architecture, points out was flawed through execution rather than concept. "When we re-did the food court at Bluewater the brief was to create a restaurant feel at food court prices. So it's about tenant mix, including quick service, reflecting diversity and creating a nice environment with proper seating, defined areas, good lighting and flooring," he says.

He also cites the extension of the food offer at nearby Lakeside in Thurrock as an evolution in communal eating and reflects: "It's about the right place, right offer. If there is a cinema then inevitably the food and beverage operators will want to cluster around it, if not then the space has to work harder. It's also about creating possible al fresco areas that enable the operators to expand covers inexpensively and move towards what consumer want. The shopping centres need to get the public realm right."

BEYOND THE CAPITAL

While London has inevitably been the centre of chain launches and expansion, Ted Schama, managing partner at property agent Shelley

Sandzer, says food trends are also spreading beyond the city now, as regional consumers align their preferences with the capital. However, he believes that long-term success in a more competitive market will only be achieved by those prepared to invest in their products.

"The exceptional growth in demand and supply in London has been mirrored more recently in the big regional cities and prime regional shopping centres and, without increased footfall in retail destinations, clearly the food and beverage operators need to focus on quality and relevance," he says. "There are opportunities to trade in many day parts and the smart ones are not cutting back on the quality of the product or service, which might have been a way of increasing profitability in the past. Instead, they are maintaining the quality of what they offer."

Unsurprised by the rise of independents within the mix, Sandzer points out that the rationale for setting up a food and beverage outlet has changed dramatically. "Once upon a time these mom-and-pop outlets didn't have aspirations beyond their outlet and it was 'just something they did'. Now the emphasis is on the brand and the ethos even before the first outlet opens," he says. "The start-ups are thinking about growth straight away and a lot of highly trained chefs are looking at ways of taking their skills to a retail environment."

Sandzer also notes that, while there is an inevitable search for the next big category to emulate burger offers, for example, there is a danger in being "too hung up on categories" and that the focus should be on "local heroes", who add to the sense of place in a shopping location.

Bluewater is a destination for food and beverage

Destination food and beverage: where next for the operators?

The food and beverage sector started to move off the high street and into malls once landlords and institutions began to reassess pure rental volume comparisons with retail against the gain from dwell, destination and extended opening hours they provide.

"It's about place making," says James Cons, managing director of Leslie Jones Architecture. "But landlords need to be aware that F&B operators are becoming more demanding. They want a proven pitch, good car parking and easy access. They want to be close to the action and they are less willing to compromise."

MMX Retail associate partner Matt Taylor notes the new-found flexibility of landlords has facilitated a rise in pop-ups, street food and short-term leases for food and beverage, probably best embodied to date at Trinity Leeds. "That's been a game changer," he reflects. "What I believe we will see next is a developer take over a building and turn it into a multi-operation environment, a little like the Eataly food emporium concept."

That said, he notes casual Indian, chicken and Mexican offers as three areas that stand out for possible growth in the near term.

One operator focused on rejuvenating its image is KFC. The chain, which is celebrating its 50th year in the UK, is working on a new concept that is convenient for customers in urban areas and transport hubs. Its fresh approach to restaurant design is demonstrated in its new outlet in Bracknell, which has a much warmer, retro and health-conscious feel than typical fast-food outlets.

It also shows how the food is prepared on the premises and explains how ingredients are sourced. Taking its inspiration from how friends and family come together around a kitchen table to eat, KFC hopes to encourage longer dwell time and sharing of fresh food.

Given the phenomenal rise in the importance of food and beverage, there is little doubt that retail destinations will continue to promote renewed and expanded dining offerings.

However, the landscape is going to become more competitive in terms of price and availability of prime locations, the quality of the offer and the ability to differentiate and combine established and new names. Opportunities abound for operators that get their offerings right.

From meal times to any time

The *Food and Beverage: A Solution for Shopping Centres? Report*, produced by the British Council of Shopping Centres in partnership with Savills and Aspect Market Research, revealed that the UK has become a "nation of grazers".

The branded restaurant market is predicted to grow from £16.4bn in 2013 to £22bn in 2018.

There is a lack of consistency in UK meal times – at no point during the day are as many as 20% of Britons eating a meal, with London at the top of the irregular eating league table.

Younger adults (aged 18 to 34) eat out most frequently, with 75% of respondents having eaten out in the past two weeks compared with the average for all adults at around 67%.

The average spend per meal has increased by £1 over 12 months, from £12.30 to £13.30.