

ANALYSIS

The demand for food-to-go has provided a big opportunity for delivery companies and convenience outlets, while the traditional grocers are having to adapt fast, writes **Luke Tugby**

The changing face of food retail



Not so long ago, the mere mention of buying breakfast on the move would have raised many an eyebrow. Yet for millions of time-pressed commuters, that habit has become a regular feature of their lifestyle.

Food businesses have been forced to act fast. Grocers have moved into the convenience market and exponentially grown their smaller store portfolios, ploughing investment into food-to-go propositions.

Companies such as Greggs have transformed their ethos and strategy – it morphed from a traditional bakery competing with supermarkets for take-home goods such as loaves of bread, into a dedicated food-on-the-go operator serving baguettes, soups and salads for instant consumption.

And that need for speed has enabled businesses such as Deliveroo, JustEat and Hungry House – which deliver restaurant food to people's doors – to emerge as serious players.

According to forecasts from industry body IGD, the UK's food-to-go market will be worth £16.1bn in 2016, representing a 6.8% increase in spend compared with last year.

Grocers can lay claim to less than a quarter of that pie – around £3.7bn will be spent in supermarkets, hypermarkets, c-stores and petrol forecourt shops this year.

That figure is dwarfed by the £5bn raked in by quick-service restaurants and the £4.6bn spent in food-to-go specialists ranging from Pret A Manger to McDonald's.

Greggs boss Roger Whiteside, who this week revealed a 6.7% rise in half-year operating profits, believes “there's no sign” of food to go's growth slowing and wants to expand his estate from 1,730 shops to more than 2,000 to keep up with the rapid pace of

Third-party delivery companies such as Deliveroo have benefited from the food-to-go trend



change. “People are clearly time-poor and convenience in food and drink is everything,” Whiteside tells *Retail Week*.

The need to provide breakfast, in particular, has driven a radical change in opening times across Greggs' estate. Only “a few years ago”, the majority of its shops would open at 8.30am. Now, hundreds of store managers lift their shutters as early as 6am – and Whiteside says “it could get earlier than that” in some locations.

“Breakfast is a phenomenon,” he says. “We all seem to have less and less time in the morning, so people are choosing to get out of the house and either eat and drink en route or at their destination – we are benefiting from that.”

“There's another revolution that's going on in delivery and instant gratification. We are interested in those trends and we can definitely see a future for Greggs in click-and-collect, in click-and-deliver.”

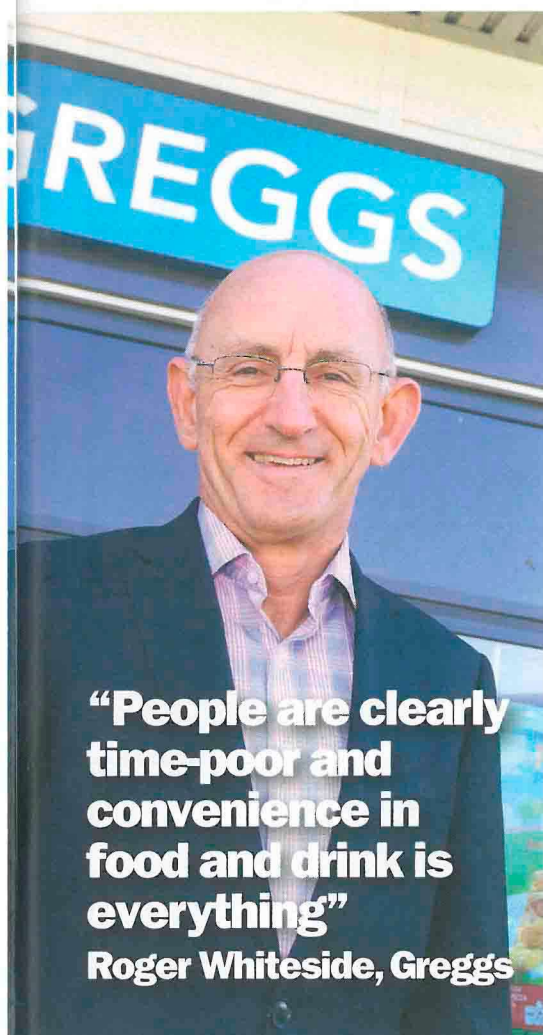
New entrants

The grocers are battling to gain their share of increasing disposable income, as people spend more freely on leisure activities such as eating out – and a fresh wave of disruptors spear-headed by Deliveroo, JustEat and Hungry House are making the temptation for consumers to



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treat themselves even more alluring.

Having restaurant food turn up on your doorstep after a couple of taps on a mobile device perfectly complements the “instant gratification” mandate of consumers that Whiteside refers to.

Deliveroo started doing just that in London in 2013, after the company’s co-founder and chief executive Will Shu moved to the capital from New York and realised that the city lacked the food delivery culture of the Big Apple.

It now operates in 81 cities globally, working with 15,000 restaurants that wouldn’t normally deliver including Pizza Express, Prezzo and Gourmet Burger Kitchen. Daily orders placed through the website have grown tenfold since January 2015. “As consumers lead increasingly busy lives, there is growing demand for simple conveniences such as good food. That’s where we come in,” Deliveroo’s UK and Ireland boss Dan Warne explains.

And in the same way that breakfast has become a phenomenon, Deliveroo has created a seismic shift of its own when it comes to the way people eat. “We’ve made Sunday night a new peak time for our restaurants,” Warne says. “Traditionally, Sunday evenings have been a very quiet time for them. However, there is huge demand for restaurant food ahead of the

dreaded Monday morning back at the office. Sunday nights are now a prime time for restaurant income.”

Impact on retailers

Sainsbury’s has muscled its way to the front of a long queue of grocers preparing for similar middle-men encroaching on to their territory.

In the same way that Just Eat, Hungry House *et al* are taking restaurant and takeaway orders from customers and delivering them to their homes – eroding the direct business-to-consumer contact enjoyed by chains such as Burger King, Papa John’s and Itsu – Sainsbury’s boss Mike Coupe believes more businesses will emerge in the future to occupy a similar “intermediary” role for the weekly grocery shop.

But supermarket giants would rather continue to serve their shoppers directly, either in-store or online, and won’t surrender to tying up with third-party delivery partners without a fight – a fight that Sainsbury’s is already taking to its existing rivals to set itself up for the future.

The grocer’s move to acquire Argos owner Home Retail Group has been driven by an overarching goal to be there for its customers “whenever and wherever” they want. Meanwhile the launch of its Chop Chop mobile app – offering one-hour delivery to customers living within 2 miles of its Wandsworth store – and the

impending extension of same-day deliveries to 30 stores underlines its ambition to fulfil shopper orders without third-party delivery.

“A big trend in not just our industry, but consumer industries more generally, is towards having more choice and what I would call disaggregation and disintermediation,” Coupe explains. “You have more choice than ever and you have companies like Just Eat, who effectively put themselves between a customer and the provider of the service.

“There is probably a 20-year-old kid in California trying to work out ways of disintermediating the supermarket business.”

Coupe adds: “Companies like Deliveroo, Hello Fresh, even UberEats – who are big in the States – are looking covetously at our space and trying to work out how they might interact with our customers differently.

“That’s why things like Chop Chop in effect allows customers to give an order to somebody else – it doesn’t have to be one of our colleagues, it can be a friend or a relative.”

With growth in the lucrative food-to-go market showing no signs of slowing down, retailers such as Sainsbury’s and others will continue to evolve.

As if the grocers didn’t have enough on their plates, the changing face of the way people eat is dishing up plenty more food for thought.

According to analysis from IGD, the UK food-to-go market is split into five distinct segments

