Dairy in Global Foodservice

Strategic Summary -
dynamics, segmentation & prioritisation

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Global Foodservice Market

Global foodservice market by region

- Total value: $1,297 billion
  - US $407.8 billion
  - Western Europe $321 billion
  - Japan $227.4 billion
- Leading three markets account for 73.7% of total with 13.1% of the population. Developing foodservice markets are worth $288.9 billion - 53% of which is spent in China and South East Asia
- Markets under review are worth $156 billion in total, or 12.0% of global foodservice:
  - France $78.1 billion
  - Netherlands $19.3 billion
  - Argentina $15.0 billion
  - Poland $4.1 billion
  - Ireland $4.2 billion
  - Canada $35.5 billion

Sources: Promar International, USDA, Gira, Dairy Farmers of Canada, Foodservice Information Group, Sinéad O'Connell, Przemyslaw Ratajczak, Nowcosci Gastronomiczne, Central Statistic Offices, SanCor Cooperativas Unidas

Global foodservice market by channel

Dairy products in the foodservice market

- Dairy value in foodservice (%)
  - France 17.8%
  - Canada 5.8%
  - Netherlands 10.9%
  - Argentina 11.0%
  - Poland 4.1%
  - Ireland 11.9%

Sources: Promar International, USDA, Dairy Farmers of Canada, Foodservice Information Group, Sinéad O'Connell, Przemyslaw Ratajczak, Nowcosci Gastronomiczne, Central Statistic Offices, SanCor Cooperatives Unidas
Foodservice Dynamics & Opportunities

Industry drivers for change

INDUSTRY DEMANDS
• Bespoke product development
• Convenience
• Kitchen de-skilling
• Traceability
• Just-in-time delivery
• Supply chain re-engineering

IMPACT
• Coalescing marketplace concentrates purchasing power in fewer hands and leads to more direct, bespoke relationships between manufacturers and operators
• Operators seeking margin are willing to pay extra for more added value, convenience products that reduce need for cooking skills and, hence, labour costs
• Increasingly, operators-manufacturers seek to leverage brand power generated in retail by placing products front-of-house

Distribution drivers for change

DISTRIBUTION FACTORS
• Increased competition
• Direct operator-manufacturer relationships
• Own label growth
• Growth in wholesaler role

IMPACT
• Large operators working more closely with fewer suppliers are either developing internal distribution networks or working with large wholesalers
• Operators seeking margin increasingly willing to use own label products back-of-house developed by major wholesaler players in co-operation with manufacturers
• Consolidating wholesale markets lead to major wholesalers taking on role incorporating supply chain logistics, specialist wholesalers ejected from market

Consumer drivers for change

CONSUMER DEMANDS
• Experience
• Outlet format/location
• Product/price
• Distribution

IMPACT
• Entire foodservice market becoming more consumer-centric. Though manufacturers and producers remain removed from the consumer they will be expected to understand consumer trends in order to shape more effective offerings to powerful operators
• Consumers looking for more defined concepts from operators and less constrained by channel for different experiences
• Knock-on impact for manufacturers and producers is to fit in with the experience generated by the operator a process aided by closer, deeper relationships between manufacturers, wholesalers and operators

Key foodservice trends to 2008

• Market size to increase by $298 billion - a 23% rise at a compound annual growth rate of 4.22%
• Core markets of the US, western Europe and Japan to maintain leading position with little shift in value share
• Of the remaining markets, China will show the greatest proportional increase in value to $124 billion
• Channels will, on the whole, maintain share of global market, though this hides shifting spend in individual regions
• Organisation of foodservice will increase across the globe and channels as developing markets experience consolidation

Market environment to 2008

• Suppliers will have to deliver a broader range of products appropriate to an increasingly fragmented spectrum of eating occasions.
• These eating occasions will be related to consumer demand for food and drink at all times of the day and night, in social, individual and communal situations.
• To serve this consumer base, operators will be more focused, less accepting of inefficiency, and working more closely with fewer suppliers.
Dairy Dynamics & Segmentation in Foodservice

Criticality of market dynamics for dairy sector

Dairy opportunity in the foodservice market

Dairy role by channel

Optimising product/service mix
Strategic Prioritisation

Segmenting channels into marketing categories

Rationale for segmenting channels

Successful dairy sectors in foodservice

- Strong leadership
- Clear market messages prevail
- Think about end use, not technical spec
- United in front of customers
- Transparent
- Benchmark against the competition
- Invest
- Avoid “me too”
- Use of joint ventures and strategic alliances