

Trains, planes and hospitals are all prime locations for concession outlets, writes **Graeme Aymer**

Foodservice brands reach for the sky as Costa's baristas get airborne

You can't move in London without coming across a branded coffee bar. Since the start of the decade, the British capital, along with the UK's other big cities, has seen an explosion in chains like Starbucks, Costa and Caffè Nero.

The story, however, is not just about coffee: it is about a whole sub-sector of the eating-out market. This includes sandwiches, hot beverages and food-on-the-go in general. So lucrative and competitive has the market become that the next sites for the battle of the brands to take place will be anywhere but on the high street.

What they're fighting over is a market recently referred to in a Mintel study called "Other". According to the research firm's report entitled *Lunchtime Eating Habits 2005*, "Other", which includes super-market sandwich offerings as well as the likes of coffee houses, traditional fast food outlets and coffee bars – in short, anywhere you might buy your lunch during the week – is worth roughly a quarter of the £27bn dining-out market. According to Mintel estimates, that's £7bn of spending on BLTs, lattes, meatball subs, cartons of juice and crisps.

What's more, Mintel found that sector growth was 34% during 2005, outstripping both the pub category and the hotel and restaurant markets.

A new study from Allegra Strategies, its sixth Project Café report, indicated that for the first time, the UK branded coffee-chain market has exceeded the £1bn mark, hitting £1.1bn in 2005. Project Café 6 also projected 8.9% growth for the branded coffee-chain market over the next three years, with an expected turnover of £1.4bn by 2008.

And the bubble is far from ready to burst. According to Allegra's report: "Given substantial consumer demand and opportunities identified in the regions, the UK coffee-bar market appears to be far from saturation."

Both Mintel and Allegra concluded that proximity was the most important determining factor for consumer choice. Thus Mintel found that of the 62% of people who buy lunch daily, the single most visited spot tended to be the supermarket, by a margin of 11%. Pubs and bars are frequented by 9%, comparable to canteens, followed by sandwich shops like Pret a Manger, at 8%.

These factors are reshaping the way sandwiches, coffee and food-to-go in general is sold. The stand-alone shop and the high-street location are out of favour, replaced by just about anything else, including, most importantly, the concession.

These can be driven in a number of ways. For instance, Marks & Spencer has just opened a separate, in-store concept, called Hot Food To Go, completely separate from its Simply Food and Café Revive concepts. As the name suggests, it will sell all manner of quick, takeaway food, including risotto, pasties, chips, noodles and soups. Breakfasts will include porridge and muesli, with café-



All go: the "grab 'n' run" trend is strongest in food

bar coffee on offer, prompting the move to be viewed as M&S taking on Starbucks.

There are seven such sites open now, and in its Kensington and Newcastle outlets, Hot Food To Go even incorporates a deli-style restaurant.

In addition, the company announced in October that it is to roll out Simply Food outlets as concessions at BP Connect service stations nationwide.

Somerfield and Sainsbury's have signed up German coffee chain and retailer Tchibo to sell coffee, food and weekly-themed retail items within the supermarket chains. Tchibo has already opened within 250 Somerfield premises, with a Sainsbury's roll out imminent. Although Tchibo is expanding its high-street presence, the company needs Sainsbury's and Somerfield in order to "raise brand awareness and to target a broader range of consumers", according to company spokesperson Stefanie von Carlsburg. Concessions, she says, "complete our multichannel distribution".

There will be more to follow, and from a range of players. According to Subway CEO Fred De Luca, companies that want to stay in the game will have no choice but to trade in unexpected ways.

De Luca says: "There's a big opportunity for the future, especially for those companies able to develop effectively as an international brand and for those that are flexible enough to grow through non-traditional locations, such as supermarkets, department stores, schools and hospitals."

Indeed, in the US, Subway opened its 5,000th "non-traditional" branch. There are outlets in schools, athletic clubs and hospitals. There's one in a church in Buffalo, New York, and one in a Las Vegas motorcycle dealership. In Northern Ireland, Subway operates eat-in outlets in Spar shops.

YO! Sushi CEO Robin Rowland remarks: "High street is for the mugs, I think. It's very hard to do well on the high street over a period of time. You can do well for a while, but anything around you can change quite dramatically."

His company is looking to concessions and food

halls for UK expansion. It's a quick, low commitment way to ramp up a presence, Rowland says. YO! has opened in Harvey Nichols in London, Selfridges in London, Birmingham and Leeds, in addition to a more conventional leased offering in Whiteleys of Bayswater, London.

He says: "What we're doing is basically marketing 'judo'. We're using the power of brands like Selfridges or Harvey Nichols to leverage our brand. That's one reason. We know our customers do sushi at the same time they do shopping. We know from customer research that customers use YO! Sushi as part of a day out, or part of the evening out. It's not their main reason for being there."

In a different approach, coffee chain Progreso, a partnership between Oxfam and roaster Matthew Algie, along with a number of coffee co-operatives from across the world, opened a stand-alone outlet on Portobello Road, and a concession in Covent Garden's Thomas Neal Centre last year. The plan is to open another 20 outlets over the next three years, with concessions playing a major role.

As the co-operatives make money from the deal, Progreso is keen for the chain to be financially strong, and it uses its Oxfam connection to raise customer awareness in-store. However, brand-conscious retail developers are also keen, explains MD Wyndham James.

He says: "We get quite a few approaches from developers looking for something that isn't simply Costa or Starbucks. They want to bring a more individual feel to their site. And for us, it's by association with a brand and with an environment that maintains or enhances what we offer."

The departure from the high street is set to continue in the future. Last fiscal year, more than 50% of Starbucks opened in the US were drive-thrus.

The rise of no-frills travel has also presented opportunities on both sides of the Atlantic. Here, Costa Coffee, which sells coffee in several branches of Abbey National, has just announced that it is to begin selling coffee on P&O ferries, GNER trains and Virgin Atlantic airlines. Fully-trained baristas will serve espressos and cappuccinos from purpose-built, on-board dispensers. Subway is also looking into on-board sales on trains in the US.

Rowland also sees airports as being ripe for concessions in the UK, especially as The Restaurant Group/Compass grip on the market begins to ease up. That will leave room for a number of new players. He says look to the likes of YO! Sushi, Wagamama and Nando's. Also note that Subway's 500th UK outlet opened in July at Bristol Airport.

With Allegra predicting 10% growth for the café sector outside of London up to at least 2008, and the success of M&S's Compass-run Simply Food concept at train stations, it's not difficult to see that the quick-food-on-the-move sector is really poised to reach for skies.