KANTAR WORLDPANEL

THOUGHTS ON...

CHANGING HABITS

Understanding eating and drinking outside the home

Kantar Worldpanel's **Thoughts On...**
Out of home

CHANGING HABITS

Opportunities out of home

Understanding the consumer relationship with food and drink outside the home – what people eat and where they buy it from – is vital for brands and retailers alike. This is a vast and multi-faceted market which, in recent years, has become increasingly complex as once-distinct boundaries have blurred. Long gone are the days where cafés only brewed coffee and sandwich shops only served sandwiches, and now it's even possible to find wine or even draught beer served by the glass in supermarkets. Increasingly often, outlets are becoming a 'one stop shop' for out-of-home eating and drinking.

The growth of the out-of-home market is a trend going back several decades, interrupted only by periods of economic uncertainty. An increase in leisure time and a desire to cram more into it has encouraged consumers to buy their food on the go rather than prepare it at home.

Together with a steady drift away from simply purchasing products towards buying experiences and services, this has helped re-shape our high streets towards out-of-home consumption.

The out-of-home market has seen much evolution in recent years, though consumers rushed back to their lunchboxes and dining tables during the recession as budgets tightened. As the economy recovered so did our dining options, with the out-of-home market seeing a healthy increase of 3.3% in consumption occasions compared with last year.

The out-of-home market may be growing, but with an increasingly complex repertoire of channels and categories it is important to understand the decision-making process behind out-of-home purchases. Only then can retailers and brands recognise which missed opportunities are being fulfilled by their competitors.

Paying a premium

Average price

	In home	Out of home
Coffee	5p per cup	£1.75 per cup
Cola	68p per litre	£1.72 per litre
Ice Cream	28p per ice cream	£1.68 per ice cream
Crisps	£6.70 per Kg	£14.35 per Kg

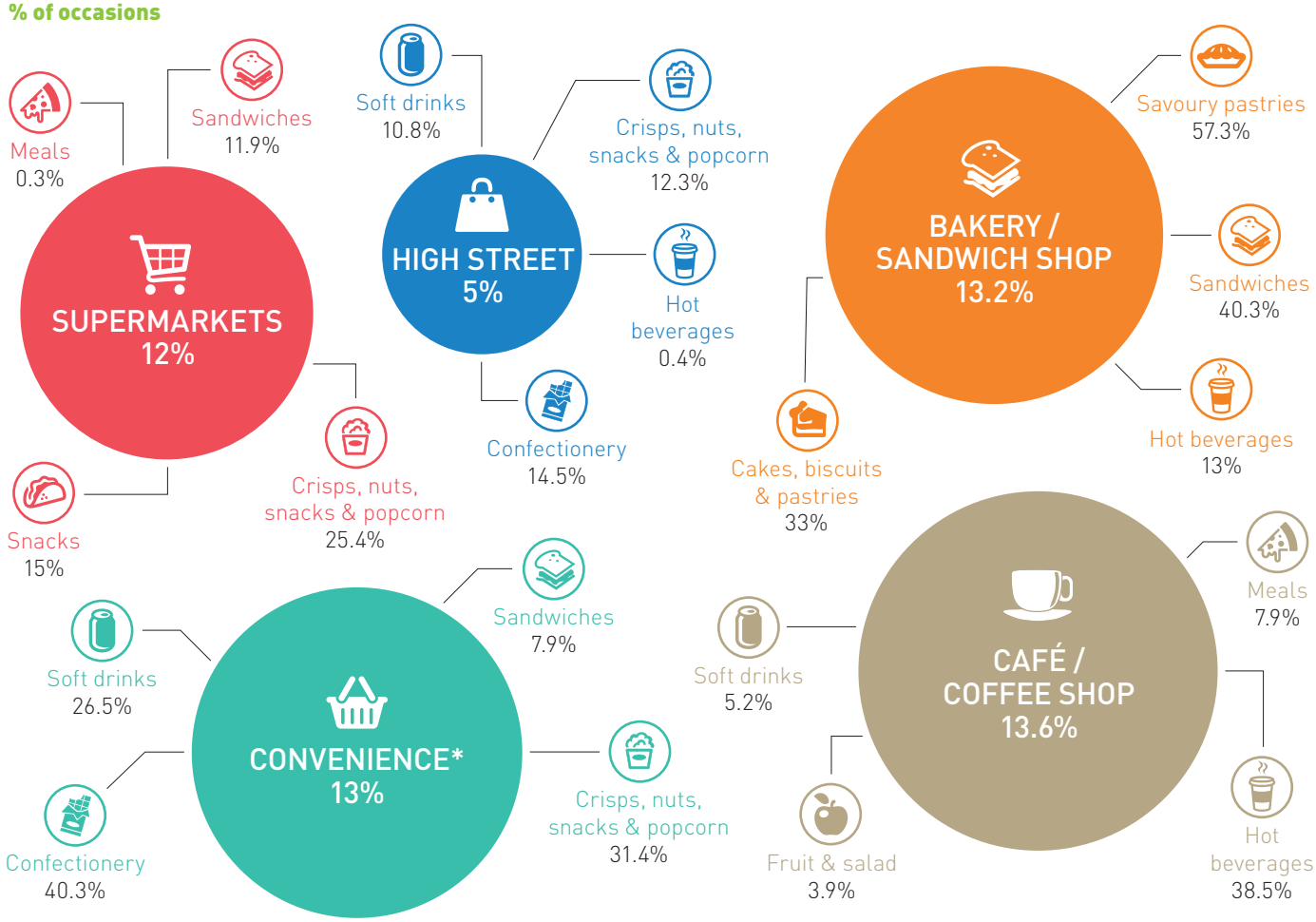
Understanding the shopper

With 29 billion out-of-home consumption occasions in the past year alone, understanding consumer motivations is no easy task. Are shoppers who buy coffee on the go in the morning the same people who tend to step out of the office to buy lunch later that same day? Are certain groups more likely to skip breakfast or pick it up once they're on the move? We can be certain of one thing – with at least 9 out of 10 individuals purchasing something out of the home every four weeks, this presents a significant growth opportunity for retailers.

It's important not to forget that the whole set of shopper behaviours and motivations out of home is different to those observed in take-home grocery. Consumers purchasing food to go are already treating themselves – by indulging beyond a packed lunch or deciding not to cook dinner at home – so it's easier to persuade them to trade up. An additional pound on a coffee or a more premium sandwich is much easier to bear than switching your entire grocery basket to a more expensive supermarket, for example.

Category highlights by channel

% of occasions



This includes convenience outlets of the major supermarkets

Channelling your offer

Consumers now expect food and drink quality in leisure and travel outlets to be as high as anywhere else. For example, only half of hot beverage sales now come from cafés and coffee shop outlets, the notion of a 'traditional' out-of-home channel is fading. With so many options now available it's no surprise that consumers are frequently shopping across channels to meet their different needs. All of these dining experiences are related, setting up consumers' expectations about food and drink quality, reasonable price points and appropriate level of service.

With this in mind, those with an out-of-home offer can no longer afford to hold a narrow view of who their competitors are – both retailers and brands need to be aware of all the channels in which consumers are enjoying what they have to offer. If shoppers are increasingly getting their latte fix at the supermarket or cakes and pastries at leisure venues then coffee shops and cafés need to understand this interaction to plan ranges accordingly and ensure they are competitive.

Brands should also be alive to the possibility of selling new products in new locations to tap into pre-existing or untapped consumer demand. For supermarkets, offering items for immediate consumption has also become an attractive option for a sector dogged by persistent grocery deflation, a surplus of retail space and a closely-fought price war.

As the market becomes saturated with more establishments and channels offering out-of-home options, the uniqueness of their offer begins to dissipate – now every café, supermarket and gym will offer consumers hot coffee. For outlets whose core purpose is not on-the-go dining, creating a world where consumers don't care where they buy their coffee is good news. In contrast, the traditional coffee houses will be eager to distinguish themselves in this market and regain their more niche position as the 'best' place to purchase hot drinks and enjoy café culture.

Innovation – the road to success?

In such a busy marketplace it's clear you need to be different, and evidence shows that consumers' willingness to try new and more expensive options in the out-of-home arena makes it a natural arena for experimentation.

Arguably the high street ubiquity of hot drinks, first made possible by the rise of Starbucks, Costa and the like, has permanently changed our attitude towards both what and how we will consume out of the home and the price we are willing to pay. Twenty years ago most consumers would have baulked at the notion of spending upwards of £2.50 on a cup of coffee every day, but regular innovation across both product ranges and experiential elements has radically changed this mindset.

Lessons from this success can be applied to more traditional retailers and brands now operating in the out-of-home market. Premium drinks brands such as Innocent or Red Bull have historically used out-of-home as their innovation launch pad before venturing into the grocery sector. The pulled pork phenomenon first surfaced in more niche, pop-up restaurants in the UK before making its move towards the grocery sector. Early movers into pulled pork are now reaping the rewards of a market worth £18 million as an out-of-home sandwich filling and £31 million as a prepared take-home product.

Similarly, salt and sweet flavours evolved through cakes in high end restaurants and patisseries to the wider market, and salted variations in chocolate are now worth £15 million annually in out-of-home alone.

The message is clear: not only can providers afford to experiment with food and drink on the go – it's vital that they do.

Carving your niche

But while some approaches work equally well across service and retail, the models remain fundamentally different and inspiration should not be transferred wholesale. Visits to coffee shops are almost three times as likely to be for the purposes of relaxation than visits to supermarkets, and it's unrealistic to think grocers could compete in this respect.

That's not to say that retailers can't or shouldn't innovate. Waitrose's wine bars might be the exception, but it gives the grocer a chance to experiment with a vibrant, experiential new offer. Simultaneously, it enhances the retailer's reputation as a premium brand.

Customers' expectations are higher. To meet them, retailers and brands need to constantly revisit and refresh their offer to have the edge – whether that's through seasonal gingerbread lattes or a more unusual food range than a competitor. Ensure that innovation enhances your brand and makes a point about what you do best and you can't go far wrong.

METHODOLOGY

All the primary data used in this report comes from our Out of Home panel, on which we measure the purchasing behaviour of 7,500 demographically representative individuals in Great Britain. We have also supplemented with our Out of Home consumption data, based on 12,000 diaries per annum.

We continuously collect information on what our panellists are buying, where they have bought it and why. This allows us to develop a detailed picture of the British and other selected global out-of-home markets. The potential level of detail available on the panel goes far beyond that used in this report to help manufacturers and retailers really understand their performance at a granular shopper level.

Take home purchase data is collected through our grocery shopper panel, which continually measures the purchasing behaviour of 30,000 demographically representative GB households.

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Published February 2016