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Foodservice
Market Monitor

New frontiers for the Italian Foodservice
considering the impact of Covid-19



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Contents

1	Introduction	4
2	Foodservice market evolution	11
3	Italian cuisine worldwide performance	17
4	Key trends and consumption shift	21
5	Foodservice market outlook	29
6	New frontiers shaped by Covid-19	35
7	Conclusions	42
8	Introduction to Value Creation Services	44
9	Glossary and key contacts	45

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La Scuola Internazionale
di Cucina Italiana

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The information contained herein was prepared expressly for use herein and is based on certain assumptions and information made available till October 23rd, 2020; we have not updated this report since that date.



Introduction

Key considerations

During 2019, the Foodservice (FS) market continued to show **positive performance** both in terms of value and transactions trend. From a sector development perspective, FS demonstrated particular dynamism, introducing new paradigms and contaminations with adjacent industries.

After all, Foodservice represents one of the biggest **industries influencing GDP** both at global and national level, also considering the whole volume of business determined by its **induced value**.

In this context, the spread of Covid-19 strongly affected its **balance for 2020**, which will likely be one of the most **testing years** in recent history, as not even during the latest financial crisis has so much **uncertainty** pervaded the market so quickly.

The unstable global **trading, political and macroeconomic** environment provides a major challenge for Foodservice players, whose **strategies, business models, supply chain and employees** will likely be stressed to different degrees.

The repercussions of this **changing global landscape** are quickly setting the bases for new frontiers in the Foodservice industry, where the increasing presence of **disruptive technologies, digitalization** and the chase of **new holistic experiences** are already affecting its key players and their business models.

In this extraordinary situation, **Italian Foodservice operators**, within national borders and abroad, call themselves **positive and hopeful** about the recovery, which could be achieved in the medium run by relying on consolidated identity and relationships with clients, as well as with innovation and a proactive approach.



Key takeaways

2019 has been a positive year for the Foodservice industry in the world

- **Worldwide Foodservice reached €2,603 billion in 2019**, with **APAC covering 45% of the total** and therefore confirming its first position both in terms of market share compared to the other regions and **historical growth (+4.0% CAGR 14-19)**. In this context, **North America and Europe remained stable markets** (respectively +1.5% and +0.9% CAGR 14-19), this latter dominated by the Full service restaurant format (41%)
- With almost half of the market share at global level, **Full service restaurant is the most widespread Foodservice model, driving growth together with the Quick service restaurant segment (QSR)** (respectively +2.4% and +2.6% CAGR 14-19)
- **Full service restaurant market is concentrated around the Top 10 countries** by size, which alone account for over 80%. China (37%), USA (28%) and Japan (7%) stand on the podium, while **Italy ranks first among EU countries in terms of market value**
- Looking at type of ownership (chains vs. independent), **chains represent almost 30% of the global market, showing a faster growth compared to the overall average (+2.9% vs. +2.3 CAGR 14-19), driven by APAC and Europe**. However, North America is the region with the highest chains penetration (55%)

- **Increasing consumer awareness of QSRs** is one of the key drivers boosting the chained Foodservice market's development, together with the **rising demand for fast food and casual dining**
- Focusing on type of occasion, the **Retail category** - followed by Entertainment - **drives the growth**, mainly **favoured by the spread of grocerant formats**. In terms of consumption modes, instead, **delivery boomed in the last 5 years** at a double-digit rate (+17.2% CAGR 14-19)

Italian cuisine showed relevant growth and is the most represented in Europe's top markets

- The positive trend continues for **Italian cuisine in the world**, which **in 2019 was worth €236 billion** (vs. €209 billion in 2017, +6.3%) and **represents 18% of the global Full service restaurant market**
- The value of Italian cuisine in **China (29%)** and the **United States (24%) exceeded the value in Italy (16%)**, while the United States and Brazil are the first countries for penetration abroad (28% both)
- All European cuisines together represent 44% of the Foodservice market in the first 5 European countries (France, Germany, Italy, Spain and the UK); the **Italian cuisine alone accounts for more than 30% of the**

total European cuisines market share (15% vs. 29%) and is expected to keep growing in the future

- In this context, **Made in Italy shows a tremendous potential**, considering the **strong impact of "Italian sounding" products** spread around the world (whose value is almost three times higher than Italian food export)

A double-digit contraction in the global Foodservice is expected for 2020

- By far the **worst crisis to affect the consumer Foodservice industry after WW2, Covid-19 has already shut down millions of restaurants globally**, with a significant percentage unlikely to reopen in the short-medium term
- Efforts to stop the spread of the virus have focused on **controlling public gatherings**, from encouraging consumers to **practice "social distancing"** all the way up to businesses being ordered to shut down for months
- The economic effects of the Covid-19 crisis have forced a **downward revision of the development prospects for Foodservice**, which is expected to **reach a value of €2,007 billion in 2020, losing -22.9% from previous year**

Changed patterns of consumption will persist in the medium term

- The **economic shock** that is shaking the sector is rooted in the **joint impact on supply and demand**: on the one hand, millions of **restaurants are suffering while they are struggling to reshape their value proposition** due to containment measures for the pandemic; on the other, both modes and **consumption behaviors** (at home vs. out of home) - which experts claim may persist in the medium run - **have substantially changed**
- In this extraordinary situation, **Net Spending Intent related to Foodservice consumption shows a gradual return of confidence in Italy**, specifically among young consumers aged 18-34, who feel safe attending restaurants
- The **only segment to strengthen its position despite the crisis is the food delivery** that has continued to rise among the habits of citizens, scoring a +31.0% (YoY 2019-20) at global level. However, this mode of consumption, particularly appreciated by Millennials (58%), proposes **some challenges for Italian cuisine, considered by industry operators as not very "delivery-friendly"**
- Overall, **Foodservice is undergoing a revolution** put forward by both hexogen and endogen factors. In this field, synergies with other industries (e.g. Retail, Fashion, etc.) to new digital paradigms emerge

Foodservice will be back to pre-crisis levels between 2022 and 2023

- In spite of pre Covid-19 forecast growth of +2.5% CAGR 2019-24, the **global Foodservice market is expected to reach pre-crisis level between 2022 and 2023**, with recovery period which may vary according to the development of the health crisis. The possibility of a Covid-19 vaccine roll-out in the first half of 2021 could smooth limitations and restrictions applied to the Foodservice industry and boost consumer confidence
- However, **a delayed containment of pandemic could hinder the global economy recovery, shifting the FS realignment to its pre-crisis levels in 2023**

Joined forces to fulfill sustainability of the Foodservice "ecosystem"

- **All parts of the Foodservice value chain** will keep on experiencing the disruptive impact of the pandemic in the short and long term, leading to the **need of re-thinking business models and chasing innovation**
- The changed scenario includes **new approaches adopted by F&B manufactures and distributors, new relationships with a "radically changed customer", technological advancement as well as the introduction of new collaborations between Foodservice players**
- Technological and business model innovation possibilities support Foodservice operators in maintaining a **positive outlook for the medium/long-run**. This is true both for FS players in Italy and for Italian restaurants abroad



Methodology

Foodservice market evolution and outlook



Objective

- Present **Foodservice market performance**
- Highlight the **impact of Covid-19** in the short-term (2020) and long-term (forecast)
- Provide a **detailed** overview of the Full service restaurants segment and of the **Italian market**



Key contents

- Global Foodservice market historical performance both from a geographical point of view and by type of restaurant
- Performance of Full service restaurants by region and by Top countries
- Quantitative overview of Covid-19 impact on the market in 2020 and in the forecast period
- Covid-19 impact on Italian Foodservice market

Italian cuisine worldwide performance



Objective

- Present a quantification of **Italian cuisine market value** at global level and its **future outlook**



Key contents

- Italian cuisine market value by country
- Relative share of Italian cuisine in Top EU countries
- Future outlook of Italian cuisine
- Relevance of Made in Italy and Italian sounding worldwide

Key trends and consumption shift



Objective

- Highlight **preferences** in the **Food & Beverage and Foodservice market** ("What we eat?")
- Provide an overview of **current consumer sentiment** (shaped by Covid-19) and **shift in consumption habits** ("How and when we eat?")



Key contents

- Overview of consumers' preferences in the Food & Beverage and Foodservice environment
- Highlight on key trends such as Digitalization and boom of Luxury Foodservice
- Key insight on consumers' point of view in Italy, with a focus on Foodservice spending (non-discretionary item)
- Deep dive on consumption habits and the shift caused by Covid-19 (e.g. "homebody" mentality)

New frontiers shaped by Covid-19

Objective

- Provide an overview of **key success factors and strategies** for Foodservice operators **to be sustainable as a result of the transformations caused by the spread of Covid-19**

Key contents

- Main considerations on key success factors, potential changes in business model and strategies to keep growing and being sustainable in the future



Sources






Primary data



Secondary data


Foodservice market evolution and outlook

-  Market data providers (Euromonitor Passport, Allied Market Research, Statista, etc.)
-  F&B/Foodservice national associations (FIPE, Coldiretti, Assocameraestero, etc.)
-  Desk analysis on industry reports, articles and news
-  Interviews with Foodservice operators (independent restaurants and chains) and experts¹

Italian cuisine worldwide performance

-  Market data providers and national associations
-  Desk analysis on industry reports, articles and news
-  Foodservice platforms (Tripadvisor, JustEat, TheFork)
-  Interviews with Foodservice operators and experts, chefs and Food & Beverage operators¹

Key trends and consumption shift

-  Market data providers (Euromonitor Passport, Allied Market Research, Statista, etc.)
-  F&B/Foodservice national associations (FIPE, Coldiretti, Assocameraestero, etc.)
-  Desk analysis on industry reports, articles and news
-  Deloitte research on consumer behavior
-  Interviews with Foodservice operators and experts, chefs and Food & Beverage operators¹

New frontiers shaped by Covid-19

-  Desk analysis on industry reports, articles and news
-  Interviews with Foodservice operators and experts, chefs and Food & Beverage operators¹

1. Interviews conducted by Deloitte on a panel of ~25 industry operators (from chefs to F&B operators to Foodservice players and distributors)

Market segmentation

By type of restaurant



Full service restaurant

FSR encompasses all sit-down establishments characterized by table service and a relatively higher quality of food compared to quick-service units. Menus offer multiple selections and may include breakfast, lunch and dinner. Restaurants types catalogued in this segment refer to table-service only (wait staff attending customers and taking orders at the tables). It includes fine dining and casual dining restaurants.



Quick service restaurant

It combines fast food and 100% home delivery/takeaway outlets. These outlets offer limited menus with items that can be prepared quickly. QSR tend to specialize in one or 2 main entrees such as hamburgers, pizza or chicken, but they usually also provide drinks, salads, ice cream, dessert, etc.



Cafés and bars

It comprises all establishments where the focus is on drinking (either alcoholic or non-alcoholic beverages). While a wide variety of snacks and full meals are offered, it is not uncommon for consumers to only order a drink. This segment also includes outlets where there is no (or limited) service content. There are food-serving counters/stalls where customers take the food they require as they walk along, placing it on a tray².



Street food




Small, sometimes mobile, Foodservice providers characterized by a limited product offering and by low prices. Includes street stalls, street hawkers and Foodservice kiosks where food is prepared in some way and served through a hatch or over a display counter to take away. Also includes kiosks and carts located externally or internally (e.g. in shopping malls, etc.).

². Self-service cafeterias resemble contract catering self-service cafeterias such as canteens, dining halls and cafeterias located within institutions such as a large office building, school and universities. However, fully captive contract self-service cafeterias are excluded from consumer Foodservice

By type of occasion

 <p>Freestanding Standalone foodservice establishments, not operating in a travel, leisure, lodging, or retail location.</p>	 <p>Retail Establishments located in retail locations including supermarkets, grocery stores, convenience stores, hypermarkets, dept. stores and mass merchandisers.</p>	 <p>Travel Establishments located in travel locations including motorway service or fuel stations, airports, rail stations and coach stations³. This segment also includes establishments located in hotels⁴.</p>	 <p>Entertainment Establishments located in leisure locations including museums, health clubs, cinemas, theatres, theme parks and sports stadiums.</p>
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By type of consumption

 <p>On site Food and drink consumed on the premises.</p>	 <p>Takeaway Food and drink consumed off the premises (excluding home delivery). It also includes purchases made by customers from their cars, often from a dedicated intercom system⁵.</p>	 <p>Delivery Food and drink sales which are delivered to the consumer by an employee of the outlet or by a third party⁶.</p>
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By ownership

 <p>Independent Independent units comprise small businesses that count on up to 10 outlets, including branded ones.</p>	 <p>Chain Chained units are defined by 10 or more units. An exception is made for international chains that have a presence of fewer than 10 units in a country. In this case, they are still considered to be chained units.</p>
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3. This excludes all in-flight or on board service which would be considered fully captive | 4. All food that is included in the accommodation price as well as catering services for private parties are considered fully captive and are excluded | 5. Orders made inside a restaurant and then consumed in a car would be considered takeaway purchases | 6. Does not include takeaway sales, transported off-premise by the consumer

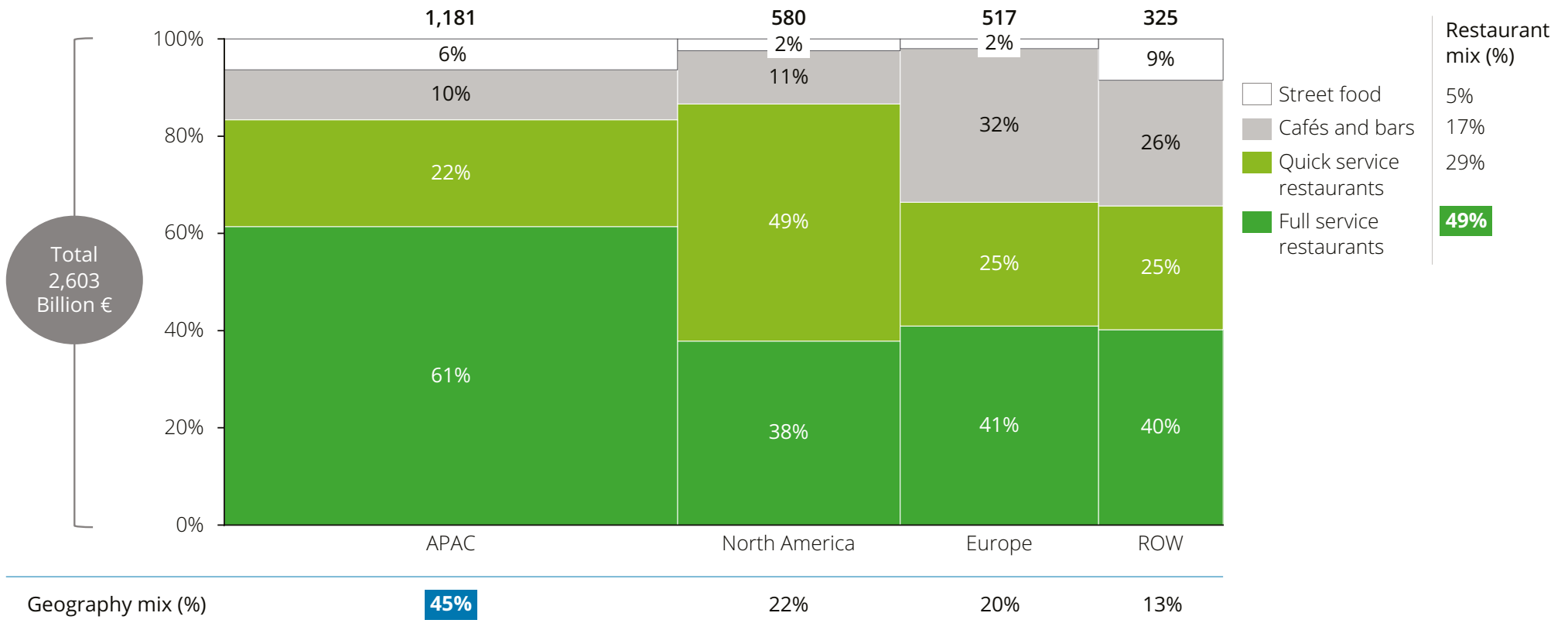
Foodservice market evolution

Global Foodservice performance | Market snapshot

Worldwide Foodservice reached 2,603 B€ in 2019, with APAC covering 45% of the market. In terms of type of restaurant, Full service accounts for 49% of total.

Global Foodservice market by type of restaurant and geography 2019

(Billion €; Percentage)



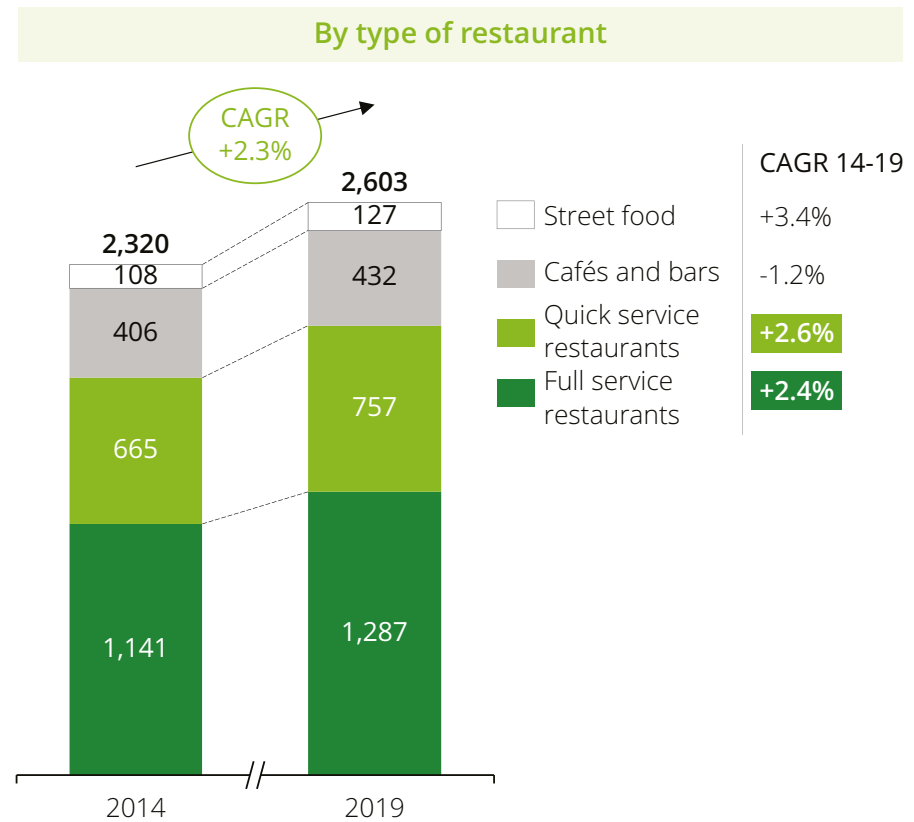
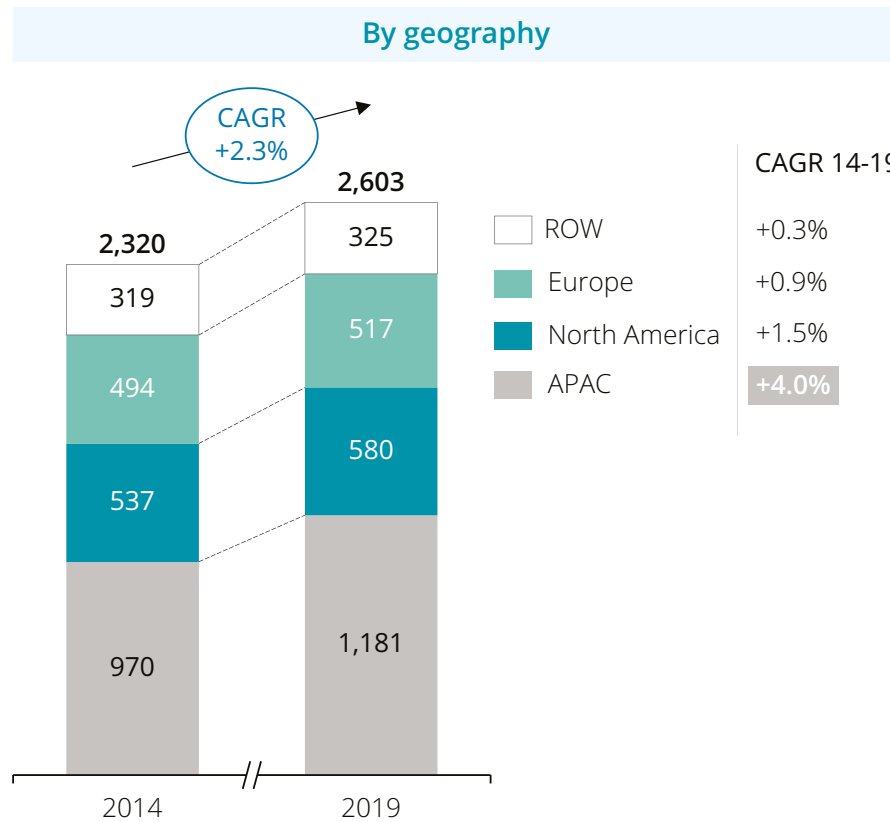
Source: elaboration on secondary data sources (Euromonitor, Allied Market Research and Statista)

Global Foodservice performance | Focus on geography & type of restaurant

APAC is the most dynamic market, while Europe and North America show moderate growth. FSR and QSR drive the growth respectively with +2.4% and +2.6% CAGR 14-19.

Global Foodservice historical market performance 2014-19

(Billion €, Percentage)



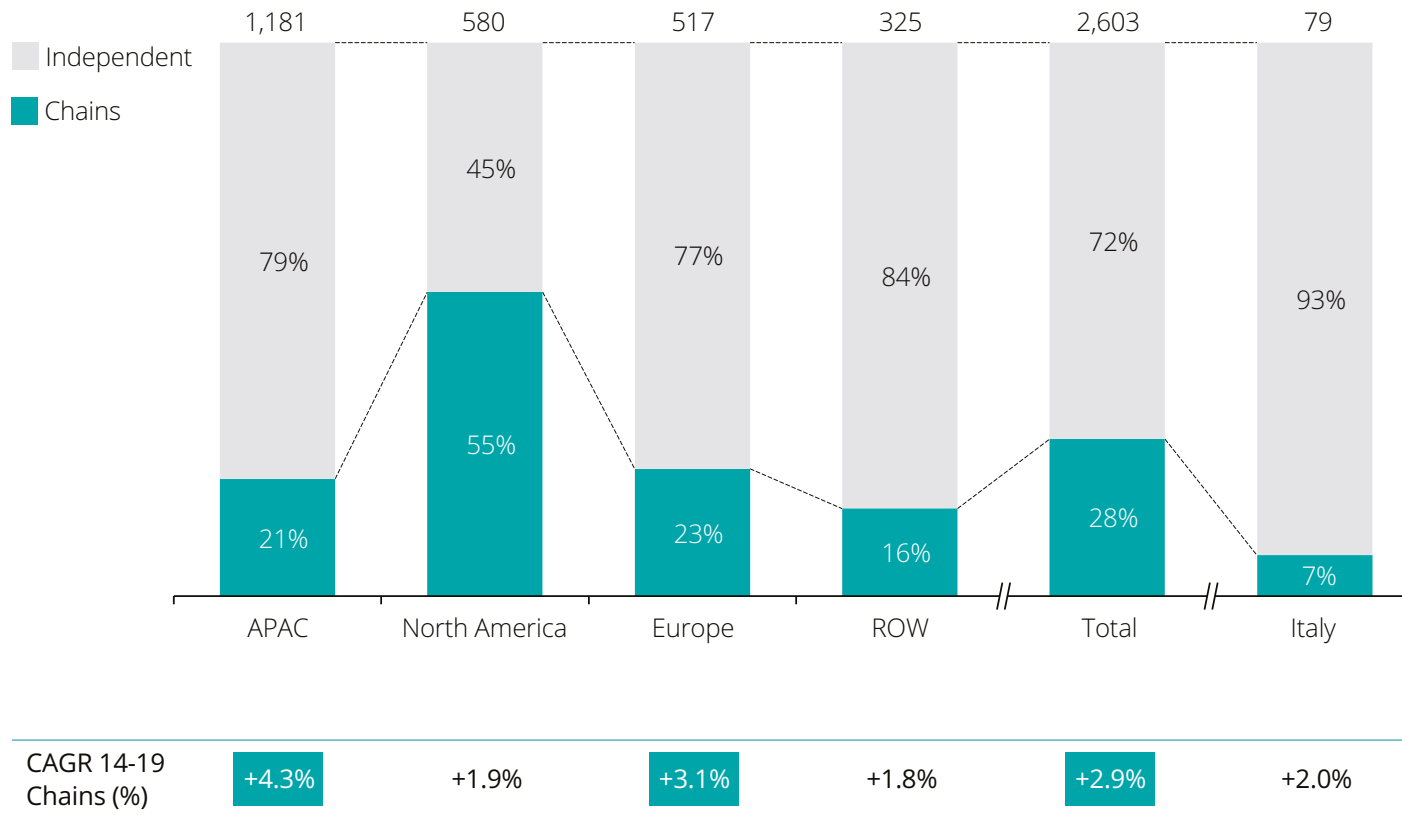
Source: elaboration on secondary data sources (Euromonitor, Allied Market Research and Statista)

Global Foodservice performance | Focus on chains penetration

Chains represent almost 30% of the global market, showing a faster growth compared to the overall average (+2.9% vs. +2.3 CAGR 14-19), driven by APAC and Europe.

Global Foodservice market by ownership and geography 2019

(Billion €; Percentage)



Source: elaboration on secondary data sources (Euromonitor, Allied Market Research and Statista)

Key insights

Increasing consumer awareness of QSRs is one of the key drivers boosting the chained Foodservice market's development, together with the rising demand for fast food and casual dining. Chained Foodservice players are beginning to adopt self-service kiosks, achieving key objectives not only by improving the speed of service but also by enhancing cost-effectiveness.

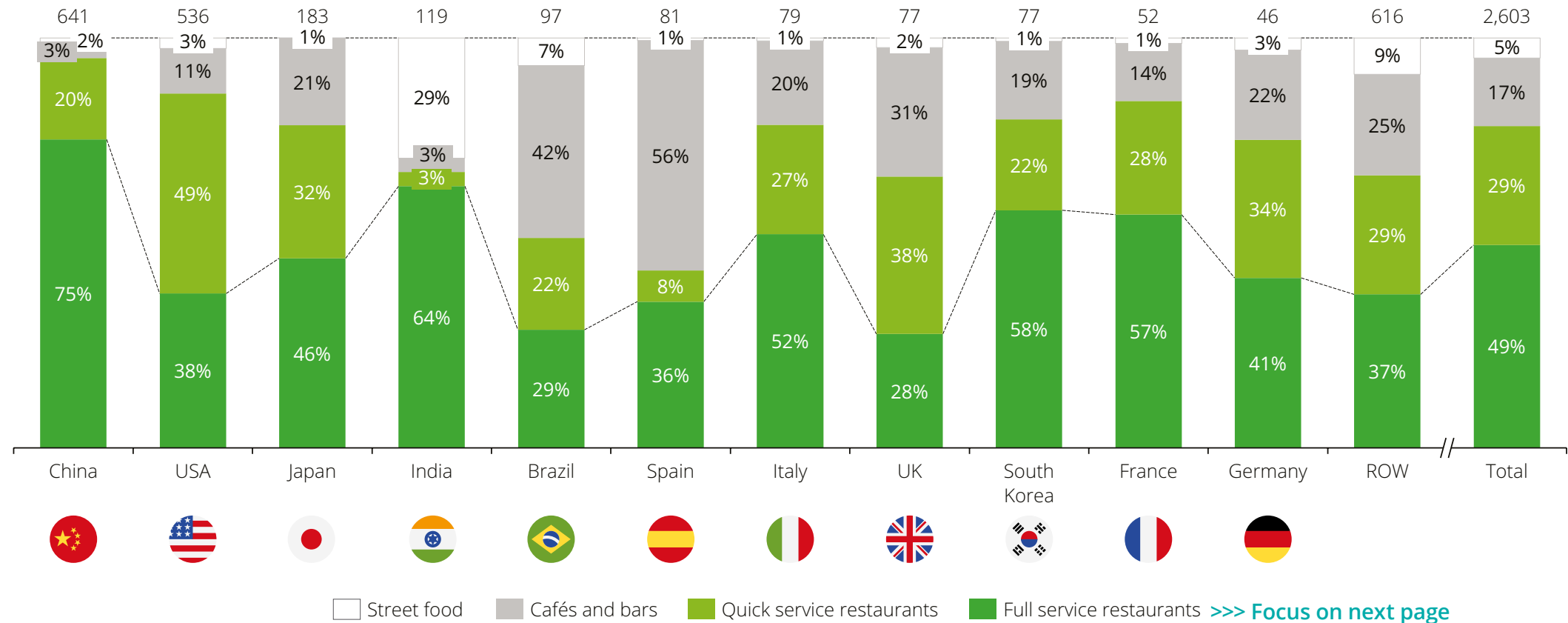
Moreover, the widespread trend of socializing in cafes among urban Millennials and, in general, the youngest part of the population, is further fueling the growth of the chained Foodservice market. In addition, rapid infrastructure growth, including new airports and expressways in emerging economies, has also given scope to various coffee chains to set up their outlets. As a result, the growing inclination of consumers to opt for fast food and other ready-to-eat (RTE) food items enabled fast-service restaurants within the chained Foodservice market to register such a sustained increase.

Global Foodservice performance | Focus on type of restaurant by country

APAC countries such as China, India and South Korea show the highest penetration of Full service restaurants, followed by France and Italy.

Global Foodservice market by type of restaurant in Top countries 2019

(Billion €; Percentage)



Source: elaboration on secondary data sources (Euromonitor, Allied Market Research and Statista)

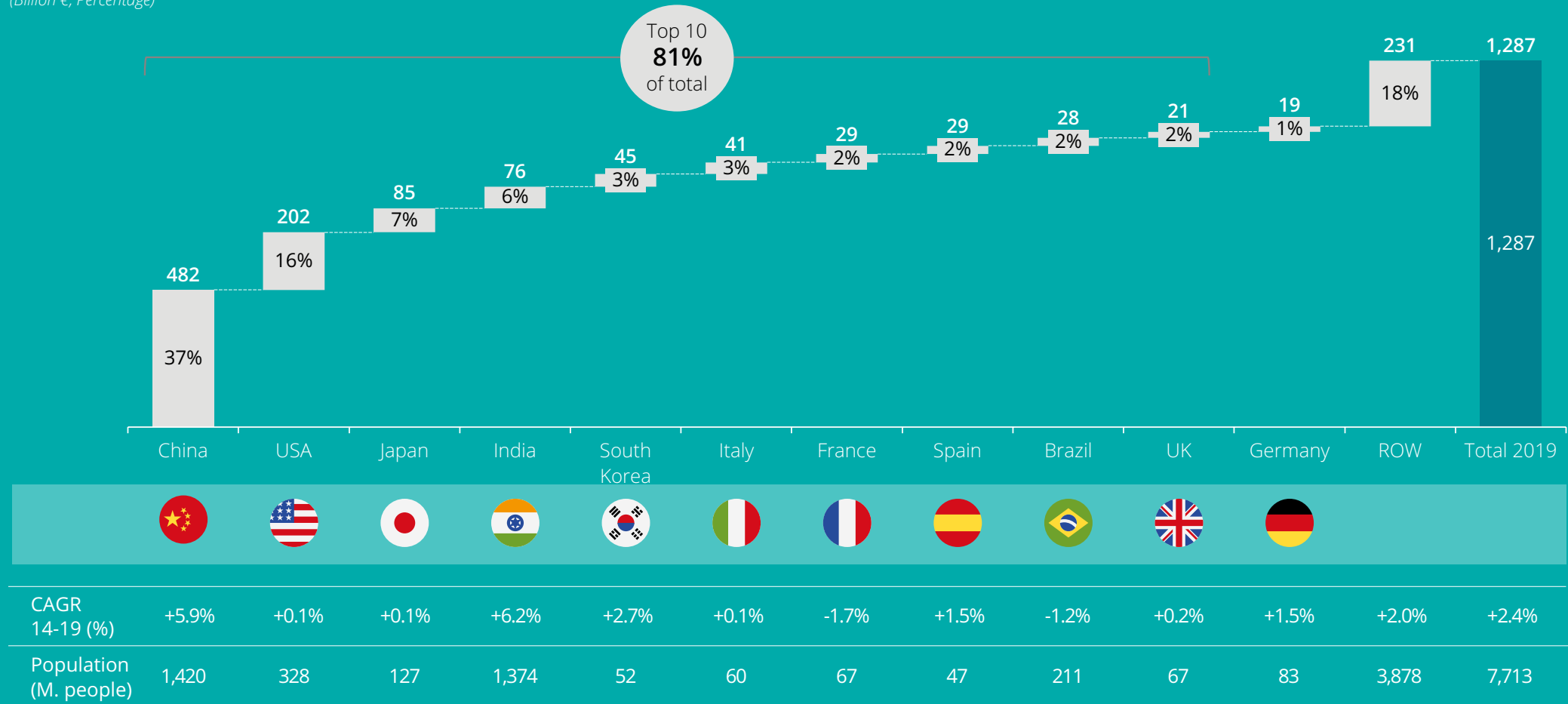
Global Foodservice market performance

Focus on type of restaurant: Full service restaurants by country

Top 10 countries represent more than 80% of the global FSR market. With a value of 41 B€, Italy is the first European market in the FSR segment.

Global Full service restaurant market by Top countries 2019

(Billion €; Percentage)



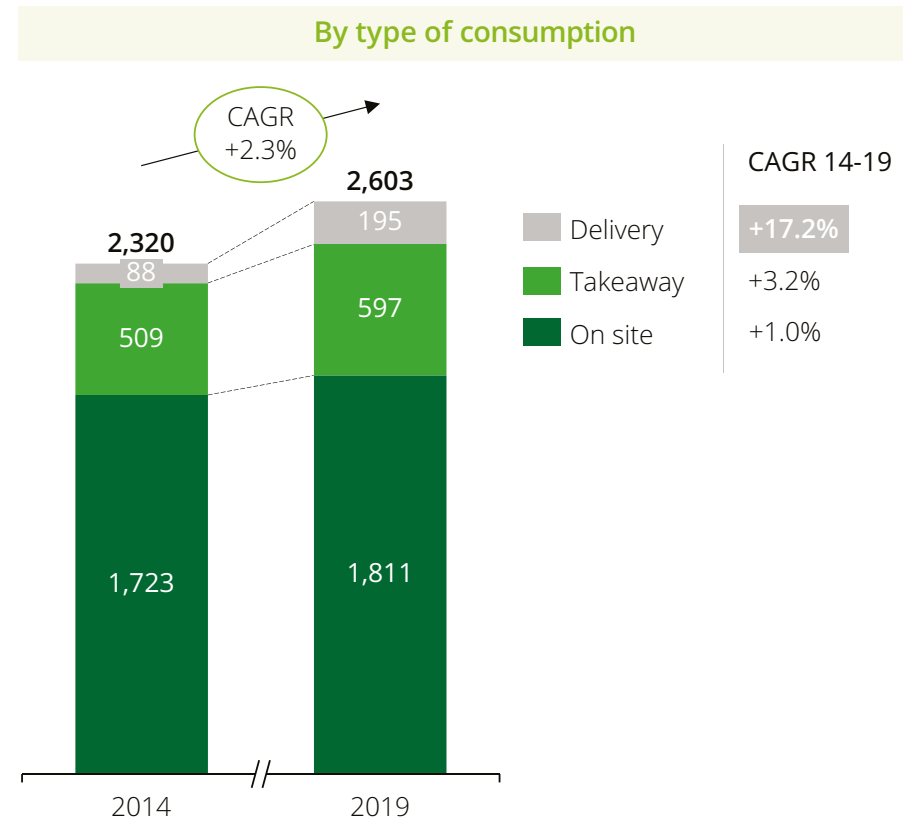
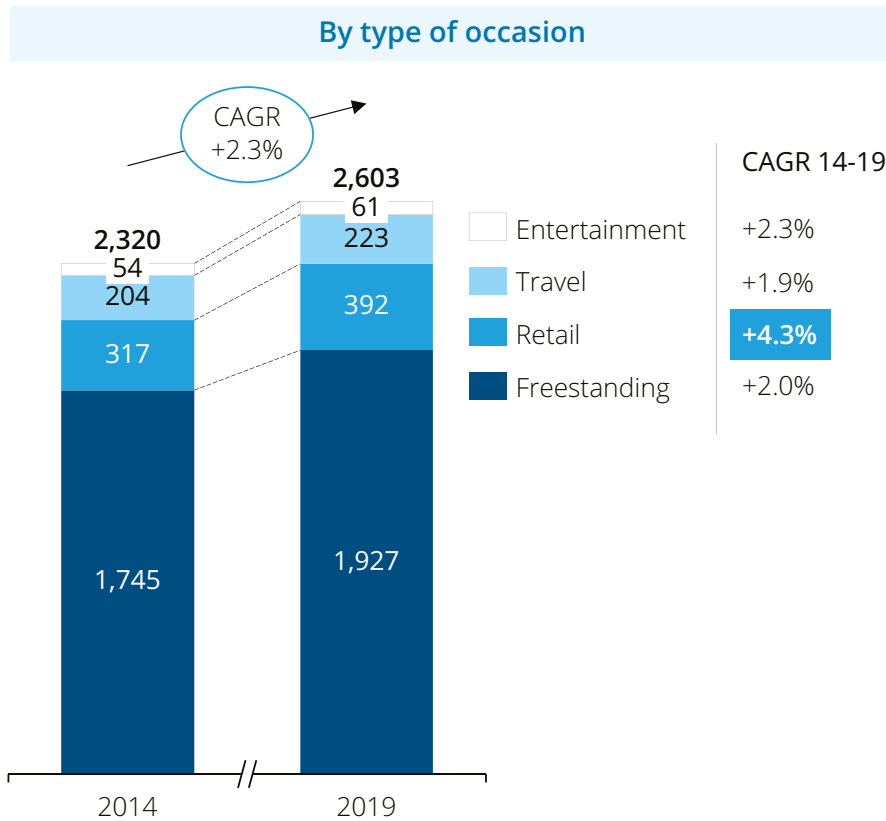
Source: elaboration on secondary data sources (Euromonitor, Allied Market Research and Statista)

Global Foodservice performance | Focus on type of occasion & consumption

Focusing on type of occasion, the Retail category drives the growth, followed by Entertainment. The Delivery segment boomed in the last 5 years growing at a double-digit rate (+17.2% CAGR 14-19).

Global Foodservice historical market performance 2014-19

(Billion €; Percentage)



Source: elaboration on secondary data sources (Euromonitor, Allied Market Research and Statista)

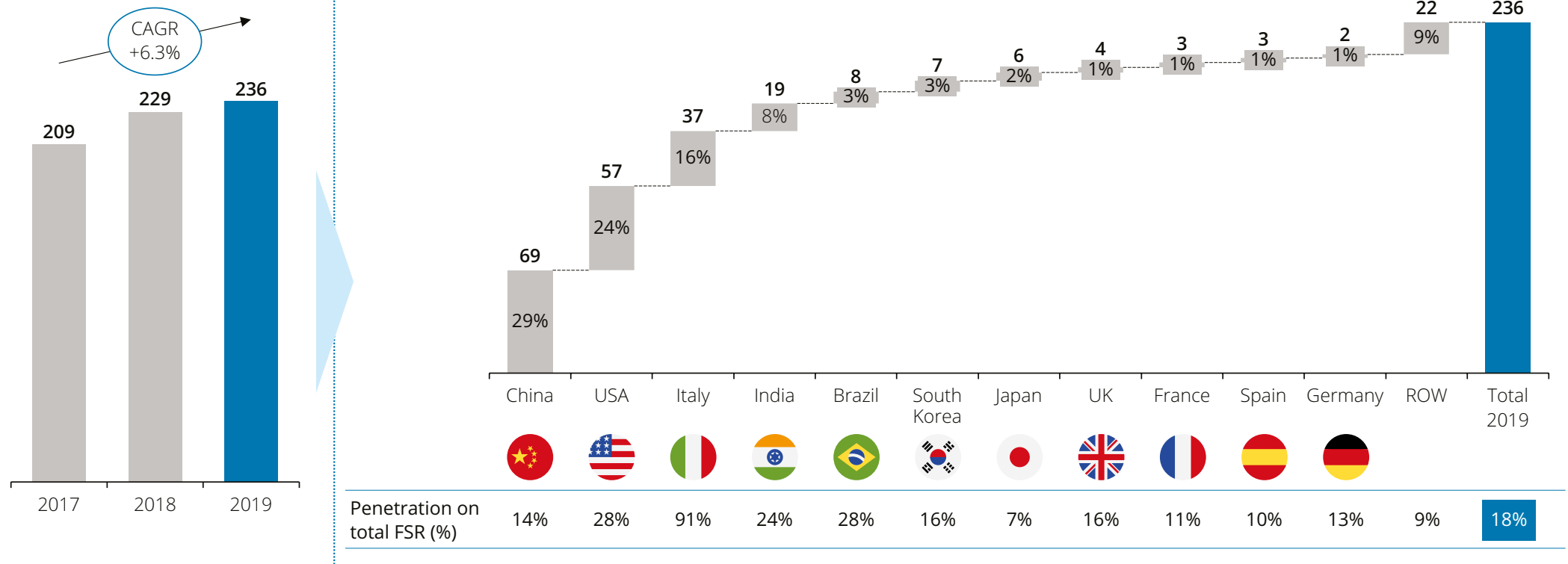
Italian cuisine worldwide performance

Italian cuisine's global market

Italian cuisine is worth 236 B€ in 2019, representing 18% of global Full service restaurant market and growing by +6.3% CAGR 17-19. Its value abroad is particularly significant in countries such as China and USA, where it outperforms the value scored on the national market.

Italian cuisine market value 2017-19

(Billion €; Percentage)



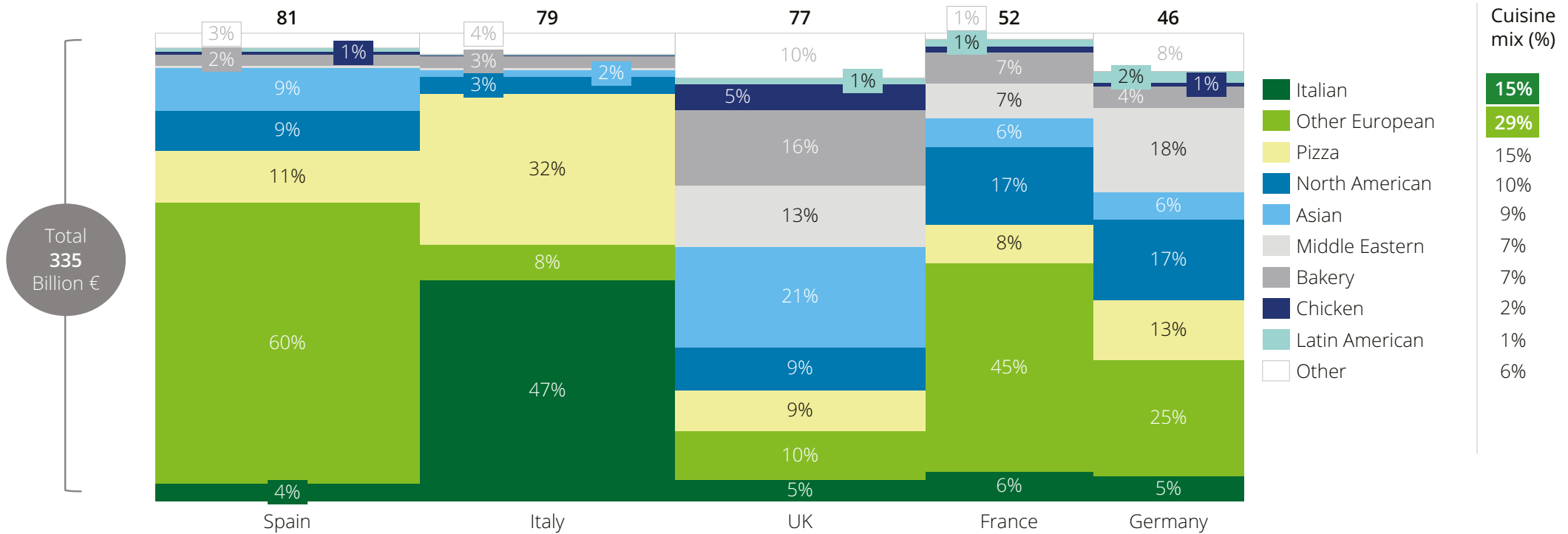
Note: Italian cuisine mainly considers Full service restaurants and fine dining formats (excluding street food, cafés and fast food)
Source: Deloitte Italian Cuisine Market Monitor

Italian cuisine in Top EU countries

European cuisines together represent 44% of FS in the first 5 European countries by market value. Italian cuisine alone accounts for more than 30% of the total European cuisines market share (15% vs. 29%).

Foodservice market by type of cuisine for Top EU countries in 2019

(Billion €; Percentage)



Note: total European cuisines include Italian cuisine (excluding Pizza) and other cuisines (French, Spanish, German, British, etc.)
 Source: Deloitte Italian Cuisine Market Monitor

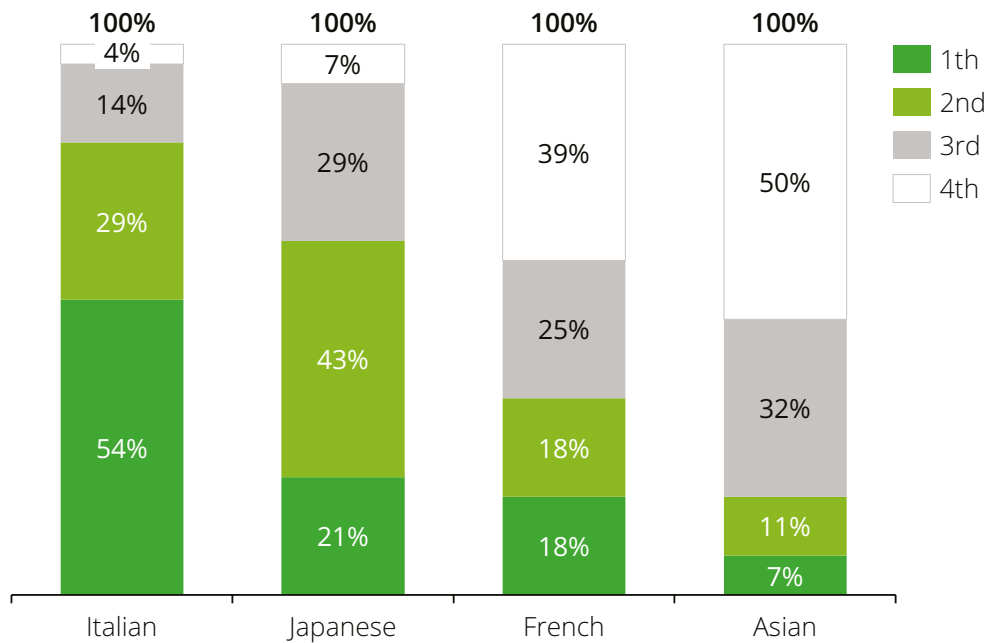
Main cuisines growth expectations

Italian cuisine is expected to grow strongly, favored by the positive effect of media influence and the perceived premium value associated with raw materials as compared to other cuisines.

Main cuisines⁷ expected growth in the coming years

(Percentage of respondents)

«What will be the most growing cuisines in the coming years?»⁷



Industry operators' quotes

«Factors such as "0 km" and the variety of typical and local products, which aren't overly elaborated, allow the Italian cuisine to position itself one step above other international cuisines, for the expectations of growth»

Owner of premium Italian independent restaurant

«The Italian cuisine is growing considerably, thanks to factors such as the expansion of slow food, people's interest in eating healthier, and culinary TV programs»

Owner of premium Italian independent restaurant

«Oriental cuisines have entered Western markets initially offering a high quality products to attract consumers ... then, they increased their penetration through the opening of a substantial number of new restaurants that are positioned on a lower quality level»

Starred Italian Chef

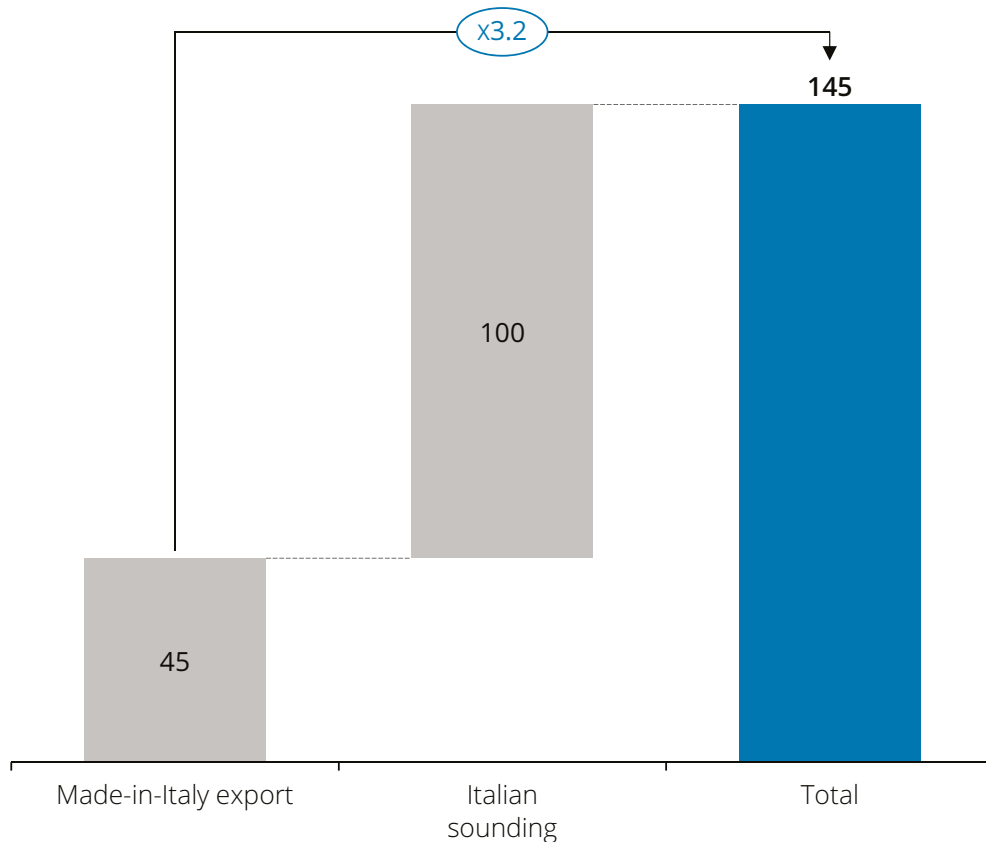
7. Survey conducted on a panel of almost 30 industry operators and experts at international level, who answered to the statement: "Rank from 1=Most growing to 4=Least growing the following cuisines"
Source: Deloitte Italian Cuisine Market Monitor

"Made in Italy" & Italian sounding

Made in Italy food export have reached a yearly value of 45 B€ in 2019. The gap between exports and demand of Italian products suggests a x3 growth potential on foreign markets.

Global value of Made in Italy food export and Italian sounding products in 2019

(Billion €)



Source: elaboration on Coldiretti and interviews with industry operators

Industry operators' quotes

«There's space for everyone abroad, finding the right niche segment is key. Our innovative format and strong identity, would be successful out of Italy as well, and we're ready to export it»

CEO of premium Italian casual dining chain

«Traditional Italian cuisine is successful abroad, as foreign restaurants are more concerned about business rather than innovation and attention on food. In some restaurants in New York, salt-baked seabass turnover alone is greater than 1 Million dollars, even higher than a restaurant itself»

Starred Italian Chef

Italian sounding

- In 2019, the **estimated value** of Italian sounding food abroad (products recalling Italy through geographical names, images and brands but not manufactured in Italy) reached **100 B€** and increased **by +80% over the last 10 years**
- **Almost 30%** of Italian sounding products is consumed in the **United States** (~30 B€)
- To overcome this issue, a new **certification ITA0039 | 100% Italian taste** has been introduced to **assess and protect authenticity of "Made in Italy"** restaurants and products abroad
- Developed in agreement with **Coldiretti, Filiera Agricola Italiana and with the support of the Italian Ministry of Agriculture**, ITA0039 makes available to the **consumer** and to the large Italian **Foodservice sector abroad an effective and immediate tool**

Key trends and consumption shift

Key trends | Evolution of Foodservice industry

Food & Beverage industry dynamics

Among the main Food & Beverage trends emerge the research of functional and sustainable food options, an upgrading of convenience products and the rise of free-from products.



1. Functional and anti-aging food
Consumers are increasingly informed and looking for products that are good for the body (e.g. anti-aging skin, mind, muscle tissue, etc.).



2. «Convenience» products upgrading
Products such as pasta, bread or coffee are no longer considered only convenience, but in their most sought-after variants become real premium products.



3. «Adventurous» consumers
Consumers are increasingly inclined and open to try new tastes and ethnic food. As a matter of fact, an increasing number of supermarkets introduce an international department.



4. Snacking
Time dedicated to meals is reduced, with a consequent increase in the consumption of snacks: pre-packaged products that can be consumed on any occasion. Healthy snacks consumption is raising as well.



5. Free-from food
The offer of "free-from" products is widening, to respond to the demand of consumers with food intolerances or who want to avoid a certain ingredient (e.g. gluten, lactose).



6. «Clean» labels and sustainability
Consumers are more and more attentive to product labels to be aware of the origin of the ingredients, preferring products that meet environmental standards both in terms of packaging and production techniques.

Source: elaboration on market reports, desk analysis and interviews with industry operators

New perspectives for the Foodservice market

Foodservice is going through a disruption caused by both hexogen and endogen factors, which stimulate synergies with other industries (e.g. Retail, Fashion, etc.) as well as the adoption of new digital paradigms.



1.

Grocerant

Increase of grocerants: hybrids of supermarket-restaurant that are of particular interest to the consumer who appreciates convenience and affordability.



2.

Heavy chef rotation

It is always hard to surprise the customer. One trend is to rotate chefs and bartenders in their premises and take turns hosting new visiting chefs who propose different menus each time.



3.

Green packaging & waste reduction

Consumers are more and more attentive to the environment, preferring products with low environmental impact (from packaging to production). There are also more and more actions aimed at reducing food waste: from doggy bags in restaurants to single-portion packaging.



4.

Restaurant holistic experience

Going to the restaurant is no longer an experience purely related to taste and cuisine but becomes an opportunity to spend moments of fun and relaxation. Customers can enjoy the environment, design, music and entertainment



5.

Menu optimization

Restaurants are increasingly focused on efficiency, perfection in the realization of dishes and cost optimization, so the trend is to concentrate the menus around a few favorite dishes.



6.

Cashless & digitalization

Digitalization is stepping into Foodservice with different perspectives and paradigms. From innovative payment systems to artificial intelligence or the introduction of new formats such as "dark kitchens" and "ghost restaurants".

>>> [Focus on next page](#)

New perspectives for the Foodservice market: new digital paradigms

The digitalization recipe for the Foodservice includes the introduction of artificial intelligence in restaurants' business model and the spread of dark kitchens.



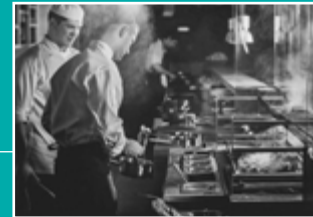
What would happen if restaurants relied on Artificial Intelligence to enhance their offering?

Imagine if, while performing an online reservation through an AI-powered system, the customers order drinks and share their real-time position.

What if the system notifies the management when the customers are nearby so that they can be welcomed at their arrival?

What if the drink the customer ordered before is already waiting at their table when they enter the restaurant?

These are just some of the many **technological innovations that can improve customer experience by making it faster, more effective and convenient, while eliminating those unpleasant aspects**, such as waiting for the bill.



A new phenomenon: Dark kitchens

The skyrocketing number of aggregators and home-delivery food distributors has created new scenarios in the world of Foodservice, including Italy. The **phenomenon is divided between dark kitchens (ghost kitchens) and ghost restaurants (virtual restaurants)**, food production laboratories **not open to the public** that serve only to the delivery platforms or that belong to the platforms themselves.

Deliveroo itself has launched Virtual Brands, a project dedicated to restaurants that allows to open a virtual business to offer new dishes and new types of cuisine that can hardly be combined with traditional activities. According to the platform, this **solution** in some cases leads to **an increase in turnover up to +400%** for restaurants.

Global venture capitalists have therefore aligned themselves on the best solution: kitchens serving only delivery customers using a combination of specialized food preparation, underutilized real estate and algorithm-based optimization to reduce overheads and increase production.

Blackstone recently invested €8 billion in a portfolio of **warehouses and dark kitchens across Europe**.

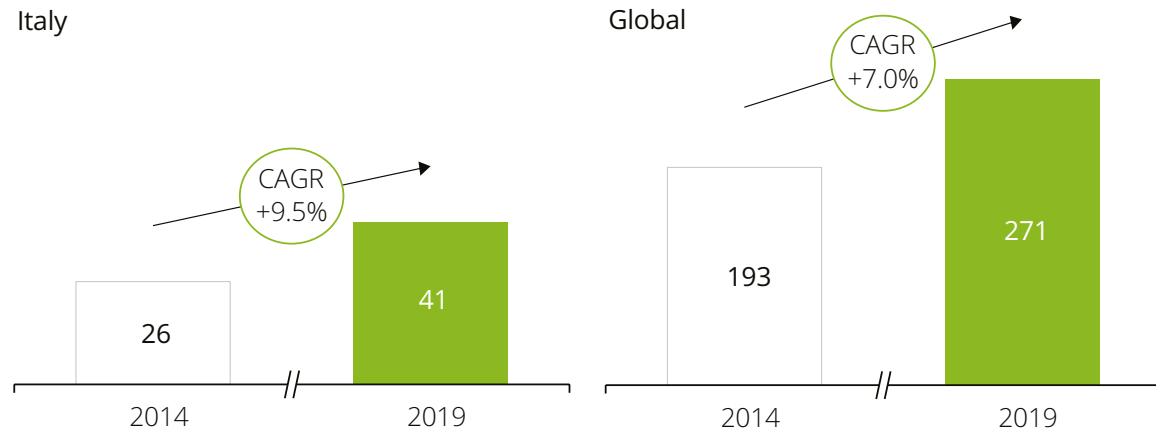
Source: elaboration on market reports, desk analysis and interviews with industry operators

The rise of experiential luxury Foodservice

The rise of experiential luxury positively affected luxury Foodservice in 2019 (+9.5% CAGR 14-19), as proved by several partnerships between Michelin-starred Chefs and Fashion Groups.

Luxury Foodservice 2014-19

(Billion €; Percentage)



Key highlights

The **rise of experiential luxury**, which is also driving growth in the luxury hotel segment, **contributed to the balance of luxury Foodservice in 2019**. In this segment, an important trend is the consumer **shift from “owning” to “being”**: consumers are driven away from the mere shopping of personal luxury goods and show more interest in investing in unique and exclusive experiences.

Demand for luxury Foodservice is set to **continue to grow in the forecast period**, because consumers - **especially Millennials and Gen Z** - are expected to continue to value experience over possession.

However, the **concept** of luxury within Foodservice is **changing**, as consumers are looking for a **less pretentious environment and more relaxed elegance**, seeking a genuine atmosphere. The investments made by players in Italy are moving in this direction, aiming to offer **Michelin-starred gourmet** experiences, fully engaging all senses, whilst offering a **comfortable and welcoming environment**.

Source: Deloitte estimation based on secondary data sources (e.g. Euromonitor, Allied Market Research, etc.) and interviews with industry operators

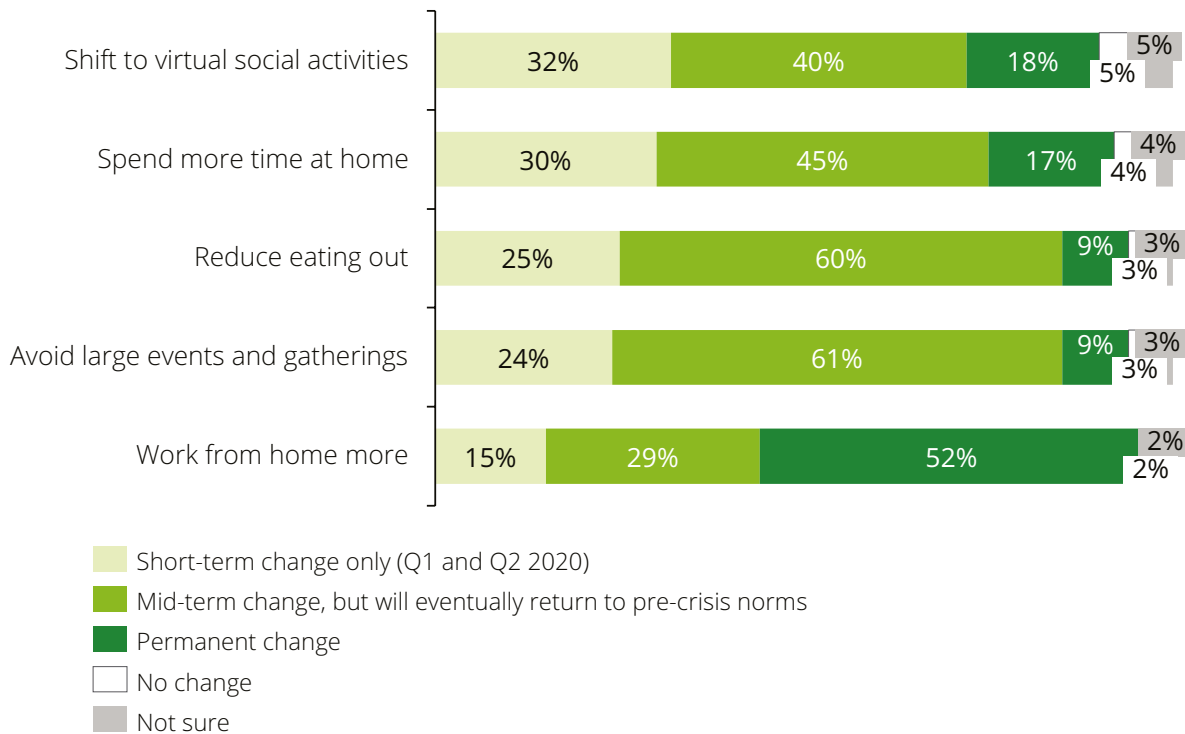
Consumption shift | Covid-19 impact

Overview on the impact of Covid-19 on Consumer sentiment

Some consumer behaviors developed during the lockdown will last longer than others and some are here to stay, such as the habit to spend more time at home, both for work and leisure.

Expected changes to consumer social and community behavior⁸

(Percentage)



Key highlights

Some **consumer behaviors** developed during the **lockdown will last longer than others**, and some are **here to stay**.

While most industry operators expect consumers to eventually return to Away from Home locations and services in the medium term, it is believed that **consumers will be working from home, more often, in a permanent way**.

This will have a **radical impact on consumer traffic flows**, thus eating out occasions connected to commuting traffic (e.g. lunch and happy hour) will decline, **even as tourism traffic returns**. It is this shift in the places of demand that will have the most impact on Away from Home eating moving forward.

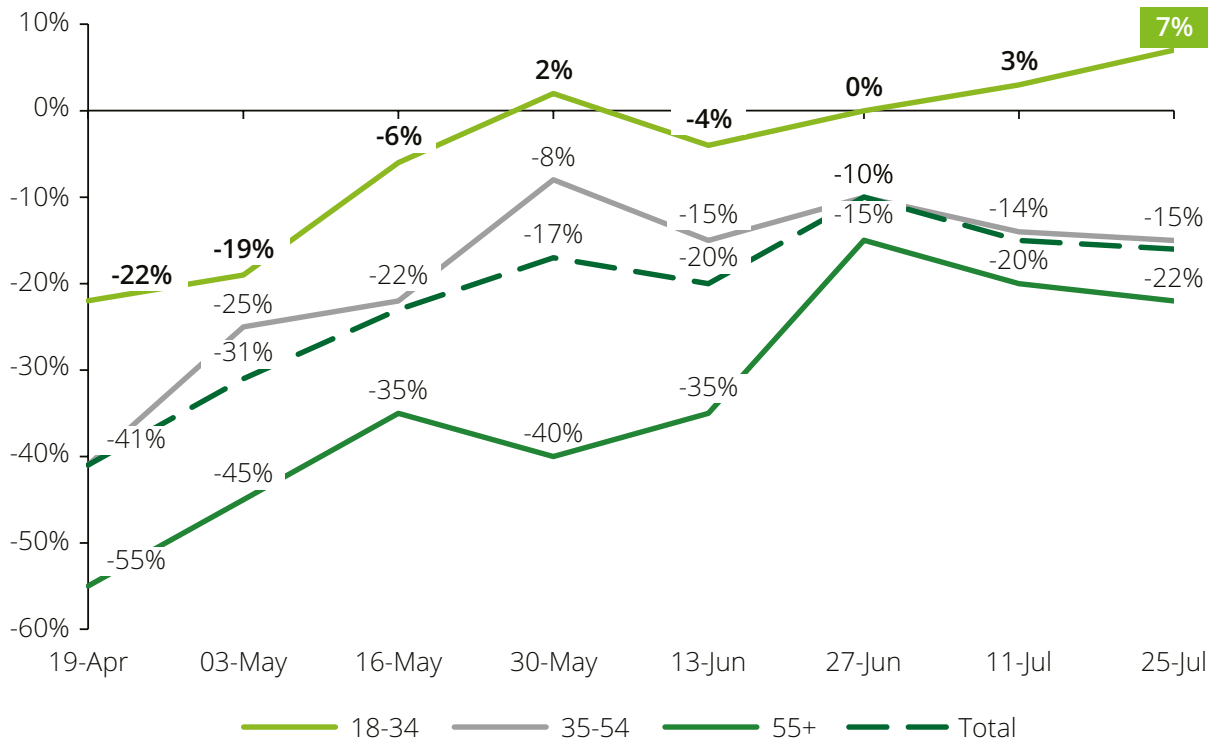
⁸ Answers from industry operators to the question: "How do you think consumers will change their social and community related behaviors as a result of the Covid-19 pandemic?"
Source: Deloitte Global State of the Consumer Tracker

Overview on the impact of Covid-19 on Consumer sentiment

However, the Net Spending Intent related to Foodservice has undergone an increase in recent weeks. In this context, Italian consumers tend to prefer Italian products as well as local and proximity ones, even if it requires paying a premium price.

Net Spending Intent⁹ related to Foodservice

(Percentage)



Key highlights

The **Foodservice** segment has undergone a **constant increase in recent weeks**. Italians **between 18 and 34 years old proved to be more confident**, feeling safe to attend restaurants (52% compared to 44% national average).

During the lockdown, **online purchases have seen a tremendous +80% growth compared to the same period of 2019**; however, as stores reopened, the situation returned to **balance**.

Purchase of local products at a time of health and economic crisis is a highly significant element for Italian consumers. In spite of economic difficulties in numerous families, the **quality of Italian products remains undisputed and preferred**. As a matter of fact, about **40% of Italians said to prefer shopping for Italian and local products**, even if it means paying a premium price (all age groups).

In addition, preferences for going local symbolizes a **strong attention to the sustainability** of the product and its **controlled origin** as much as it represents a form of **solidarity and support** for the Italian businesses: **Italians choose Italian products**.

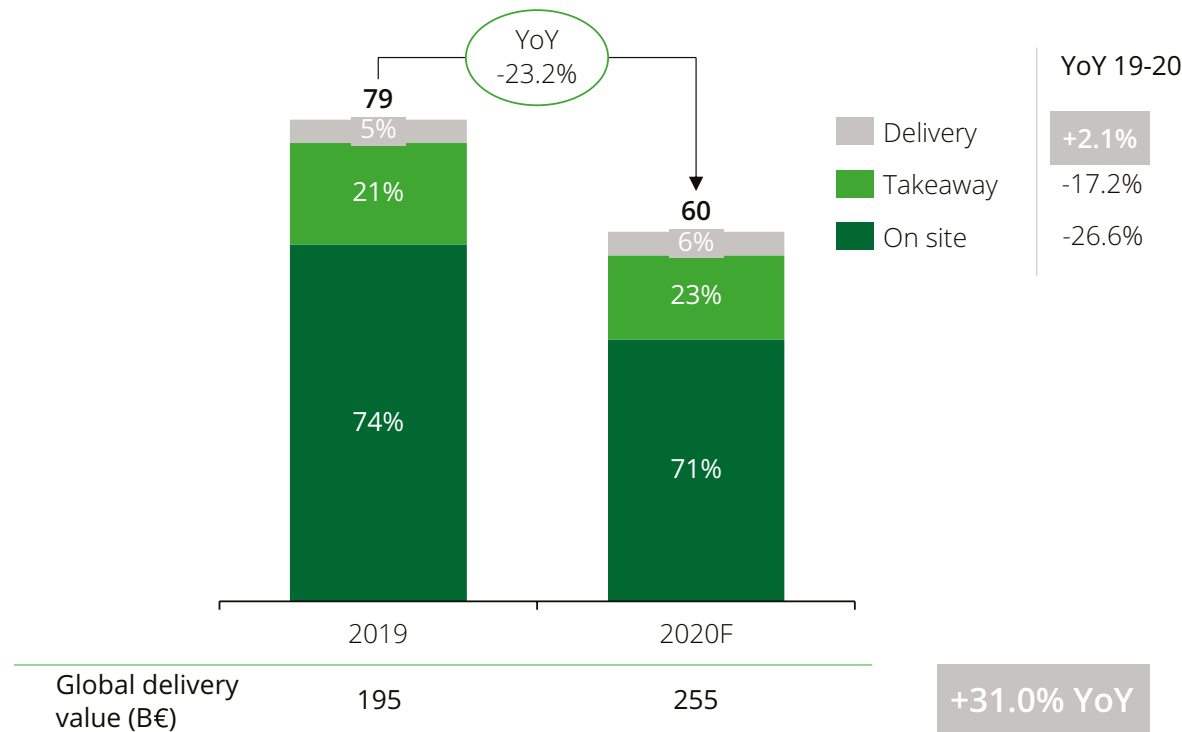
9. Propensity to purchase (Net Spending Intent) is computed as the difference between the percentage of respondents who selected "more/much more" and the percentage of respondents who selected "less/much less" to the question "How much do you plan to spend on the restaurant and bar category in the next four weeks, compared to the previous weeks?" | Source: Deloitte Global State of the Consumer Tracker

A new era for consumer habits

On a global scale, out-of-home consumption has decreased by -45% in August 2020 due to Covid-19. A spark of light in this scenario is given by the blooming of home delivery (+31.0% YoY 19-20).

Italian Foodservice market by type of consumption 2019-20

(Billion €; Percentage)



Note: 2020 Forecast represents Scenario 1 (see Foodservice market outlook section)

Source: Deloitte estimation based on secondary data sources (Euromonitor, Allied Market Research and Statista) and interviews with industry operators

Key highlights

On a **global** scale, **out-of-home consumption** has reached a negative peak of **-45% in August 2020 (YTD versus previous year)** due to Covid-19.

A **“homebody” mentality** is emerging, where health and technology are factors that will affect consumer spending and buying habits in the short and long term. According to Nielsen survey on Coronavirus impact, **2 out of 3 people have purchased basic necessities and fresh products more than twice a week since the beginning of the lockdown.**

With many people expecting Covid-19 to negatively affect their finances as well as their daily routines for at least another four months, consumers are being **mindful** about their **spending** and are trading down to less expensive products.

Among the meals eaten away from home, particular attention is given to the **lunch that, more than other occasions, risks of not seeing a full recover**: think of the changed working habits (first of all the adoption of smart working) and the possibility to prepare a meal for the lunch break so to save money.

A spark of light in this scenario is given by the blooming of **home delivery**, which is the only segment that is not **suffering from 2020 crisis (+31.0% YoY 19-20).**

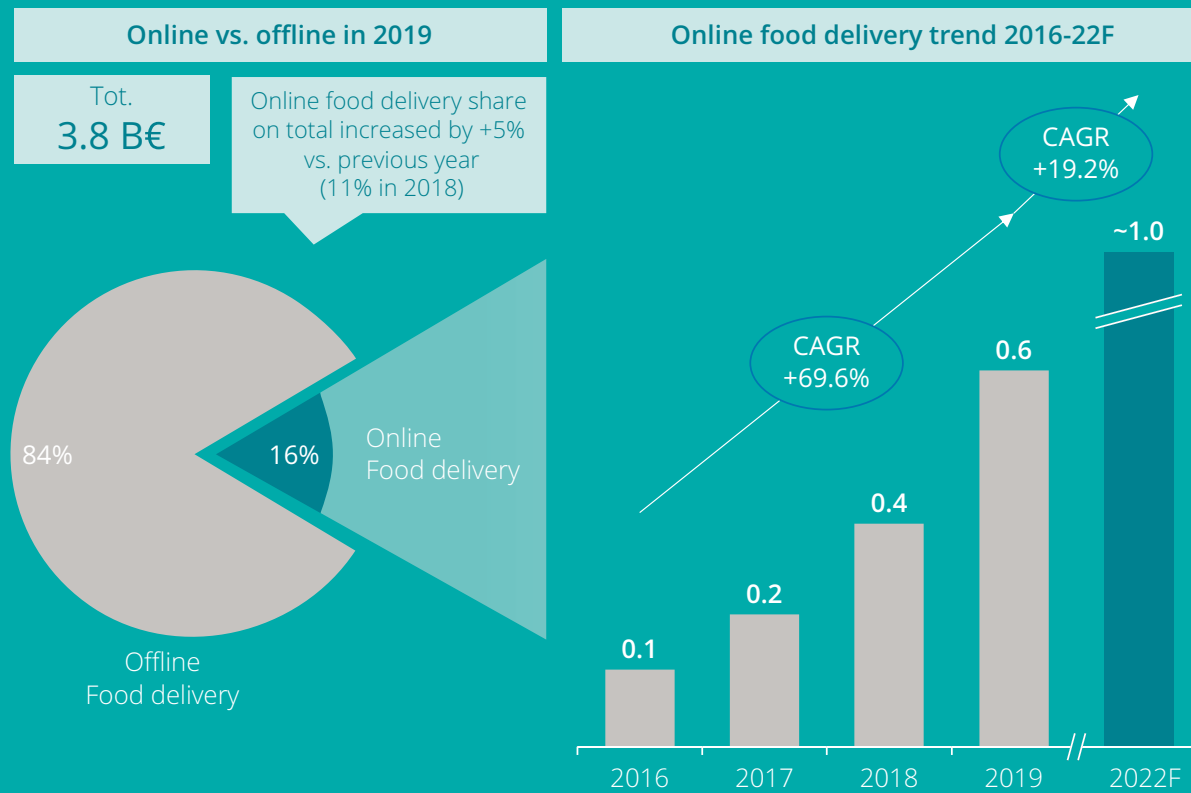
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Food delivery boom

Despite online businesses blossomed in 2019 and 2020, limits emerge for Italian cuisine, which is not considered "delivery-friendly".

Food delivery in Italy

(Billion €; Percentage)



Food delivery figures in Italy already boomed in 2019 with more than +30% increase (vs. 2018) of partnerships between restaurants and delivery platforms, +27% of service territory coverage and a share of Italian population covered reaching almost 70%. The most active to order food via delivery are still Millennials (58%), who show a strong preference for pizza.

It emerges that Italian cuisine is not the most "delivery-friendly" one as confirmed by the fact that it ranks 6th in the Top 10 of the most ordered cuisines in 2019 (after pizza, hamburger, Japanese, Chinese and sandwiches) and by the point of view of several players operating in the FSR segment (both chefs and Foodservice operators).

"We have worked hard to raise the Italian cuisine to such levels of quality and sophistication. Both preparations and foods do not suit with delivery format. I myself am not able to work in this direction ..."

Starred Italian Chef

"I do believe that delivery will not be the future of the company and our lifeline once the emergency caused by Covid-19 will be over. We will undertake other strategies than delivery to survive the crisis ..."

CEO & Founder of premium casual dining chain










Top 10 most ordered cuisines

- Pizza #1
- Hamburger #2
- Japanese #3
- Chinese #4
- Sandwiches #5
- Italian #6
- Chicken #7
- Desserts #8
- Indian #9
- Mexican #10

Source: elaboration on secondary data sources (Osservatorio e-commerce B2C del Politecnico di Milano e di Netcomm) and interviews with industry operators

Foodservice market outlook

Covid-19 impact | Business scenarios definition

	2020			2021-24
	OOH Consumption	Lockdown period	Other limitations ¹⁰	Forecast
Pre Covid-19 Scenario 0 (outlook as of 15 January 2020)	 Growing OOH consumption, based on historical market performance, new trends and sentiment from industry operators	 No lockdown period expected for Covid-19 pandemic	 No limitations expected for Covid-19 pandemic	Forecast based on historical market evolution, increased out of home consumption, launch of new formats and macro-economic factors such as GDP and consumer spending
Post Covid-19 W1 Scenario 1 (outlook as of 30 July 2020)	 Decreasing OOH consumption, due to changes in lifestyle habits caused by Covid-19 (e.g. more smart working, homebody mentality, economic crisis, etc.)	 Lockdown period for Covid-19 pandemic mainly affecting first semester of 2020	 Increased social distance within premises	Forecast based on macro-economic factors such as GDP and consumer spending, and the assumption that the sanitary crisis will smooth with the introduction on vaccine for Covid-19 during first semester of 2021, leading to a recovery of economic situation
Post Covid-19 W2 Scenario 2 (outlook as of 23 October 2020)	 Decreasing OOH consumption, due to changes in lifestyle habits caused by Covid-19 (e.g. more smart working, homebody mentality, economic crisis, etc.)	 Lockdown period for Covid-19 pandemic mainly affecting first semester of 2020 Not considering new lockdown in second semester	 Increased social distance within premises. Opening time restrictions. Opening days restrictions.	Forecast based on macro-economic factors such as GDP and consumer spending, and the assumption that the sanitary crisis will not smooth during first semester of 2021, therefore leading to a slower recovery of economy and pre-crisis consumption habits

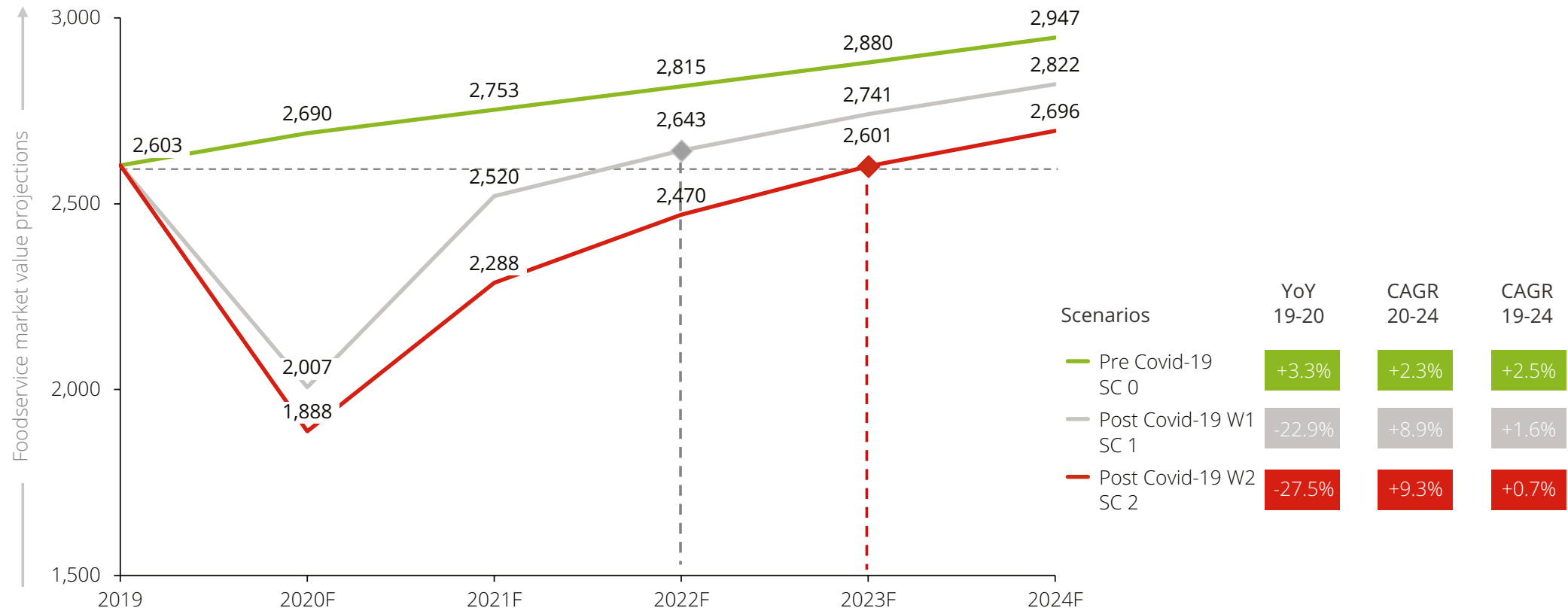
10. Other limitations include increased social distance within premises, opening time restrictions, sale restrictions for alcoholic drinks, etc.

Covid-19 impact | Global Foodservice market outlook

While pre-crisis growth advanced at a pace of +2.5% (CAGR 2019-2024), global Foodservice market is expected to reach pre-Covid-19 level between 2022 and 2023.

Global Foodservice market outlook 2019-24 | Pre Covid-19 vs. Post Covid-19 W1 and W2

(Billion €, Percentage)



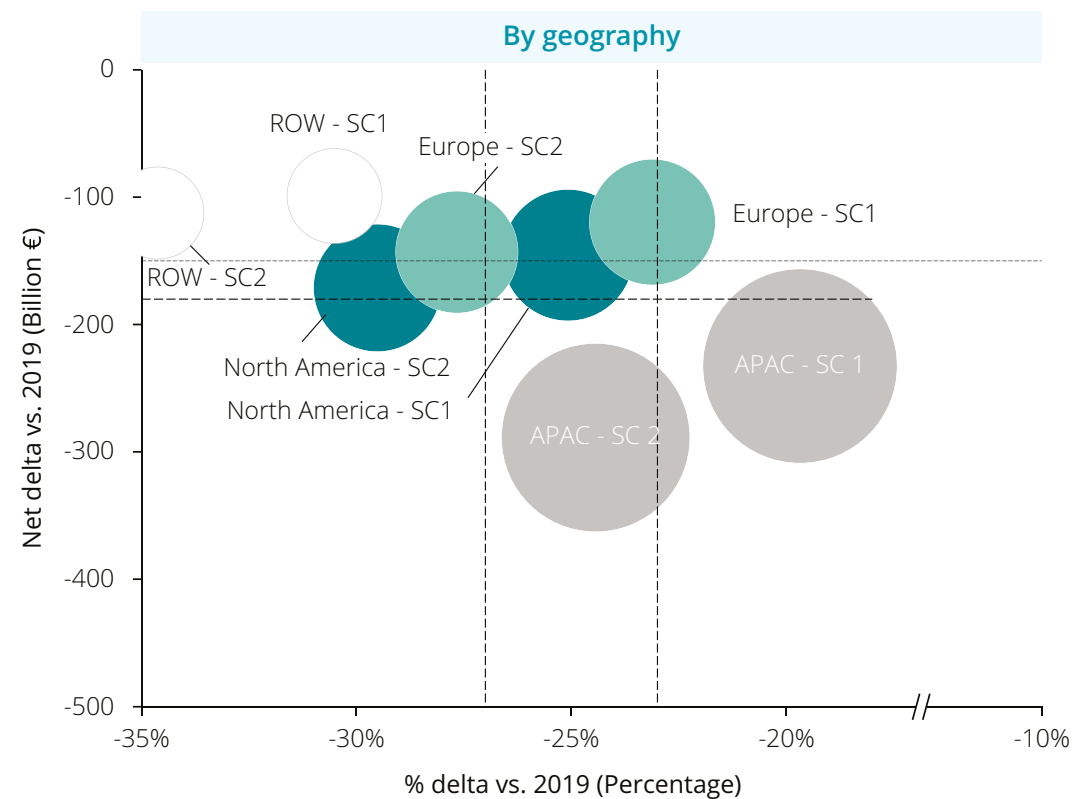
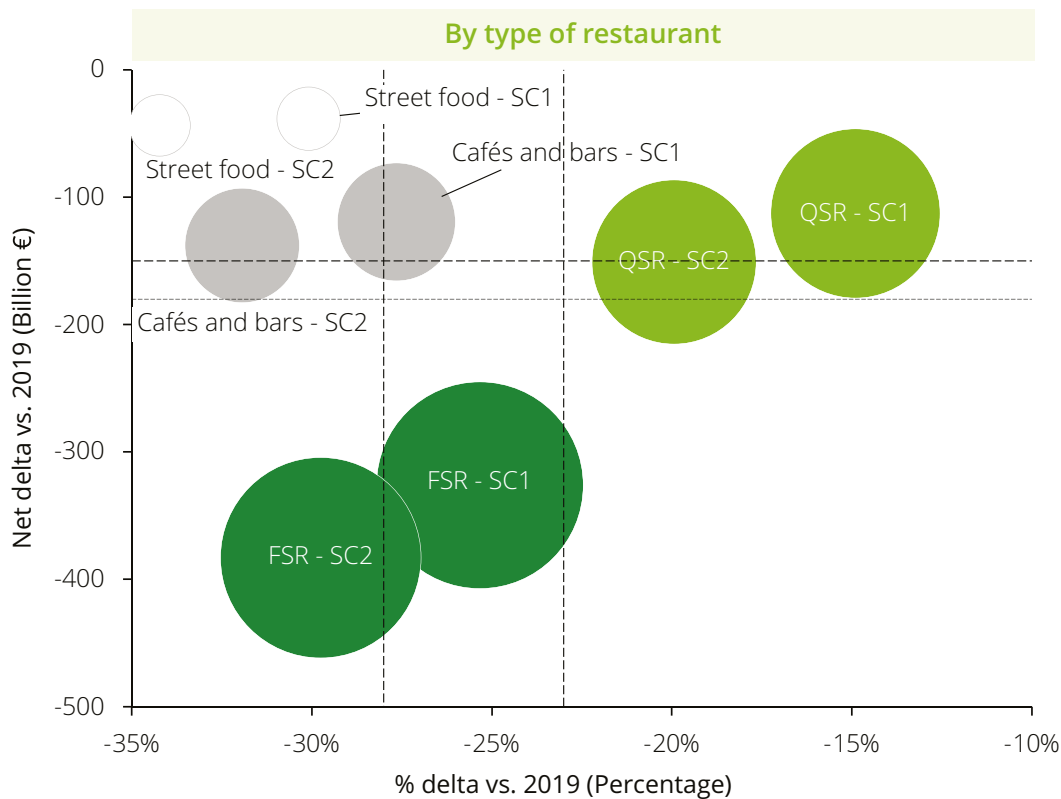
Source: Deloitte estimation based on secondary data sources (Euromonitor, Allied Market Research and Statista) and interviews with industry operators

Covid-19 impact | Global Foodservice market outlook: Focus on 2020

The least affected segment in 2020 is Quick service restaurant, that were able to catch the opportunity offered by home delivery to compensate part of the loss that affected the sector.

As for geographies, APAC represents the least affected region.

Global Foodservice slowdown | 2019 vs. 2020 Post Covid-19 W1 and W2



Note: ball size represents market value in 2020

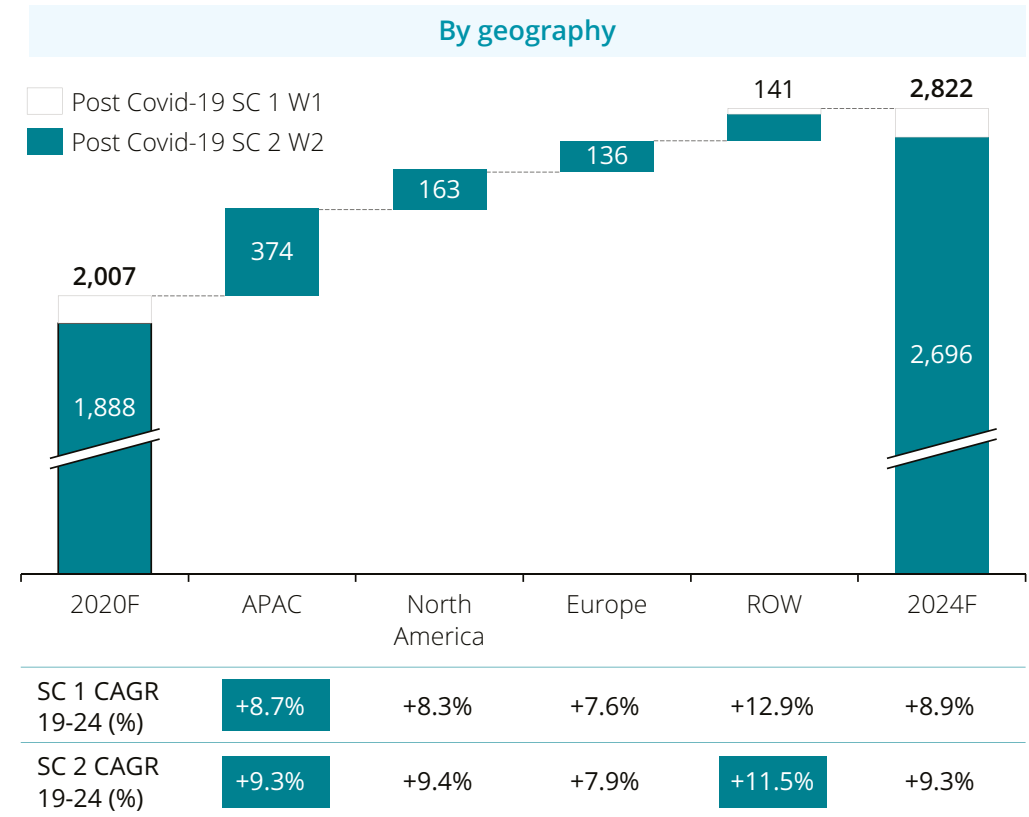
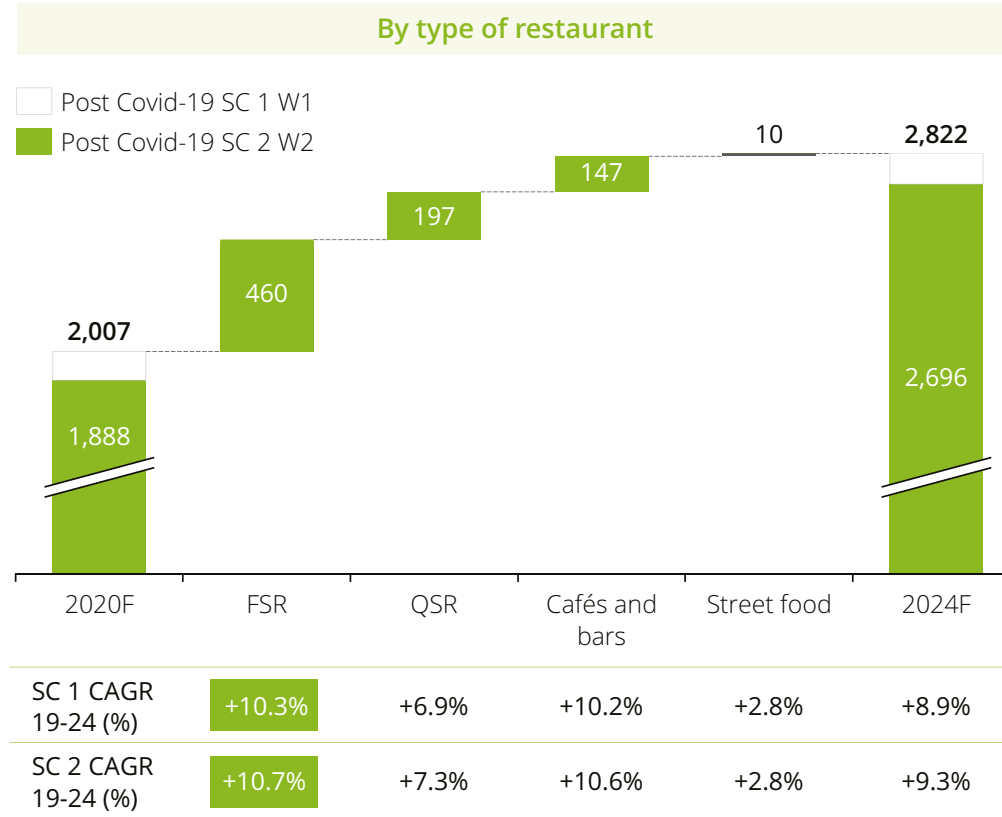
Source: Deloitte estimation based on secondary data sources (Euromonitor, Allied Market Research and Statista) and interviews with industry operators

Covid-19 impact | Global Foodservice market outlook: Focus on Forecast

Over the next 4 years, Full service restaurants are expected to record the highest recovery in both scenarios. APAC and Rest of world are the regions for which a more sustained growth is expected.

Global Foodservice market outlook 2020-24 Post Covid-19 W1 and W2

(Billion €)



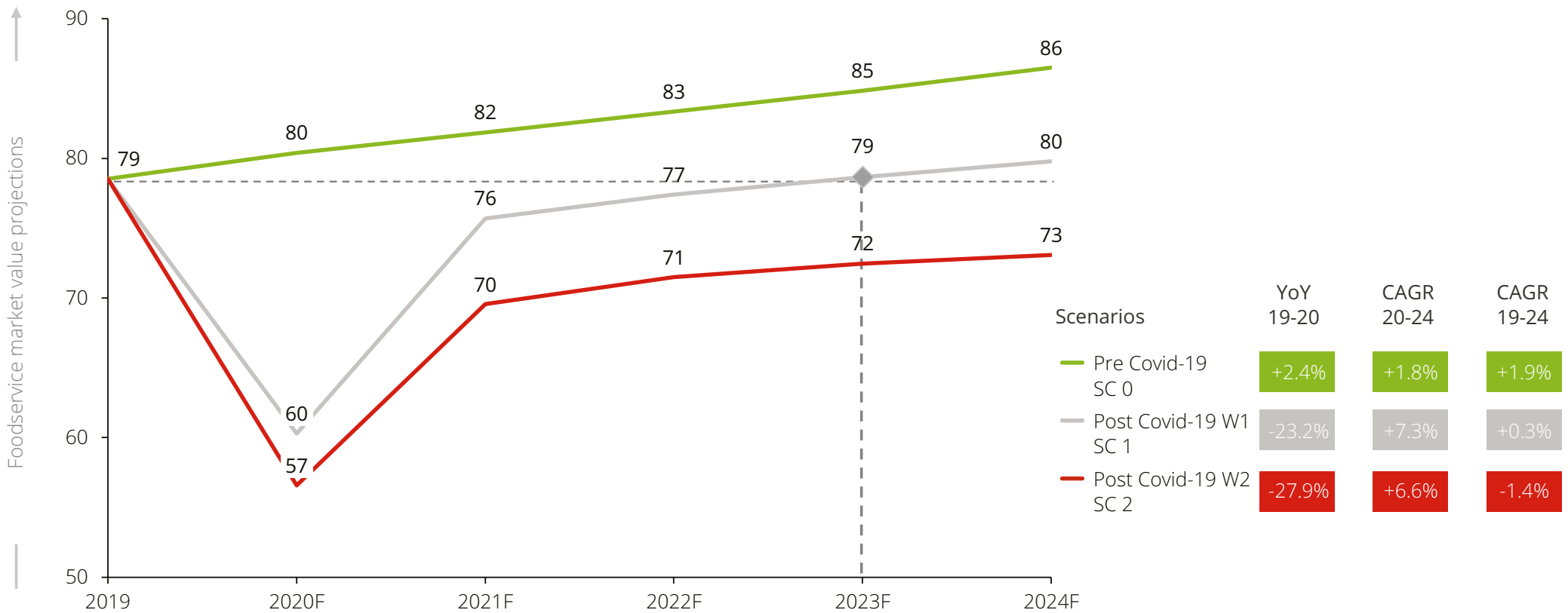
Source: Deloitte estimation based on secondary data sources (Euromonitor, Allied Market Research and Statista) and interviews with industry operators

Covid-19 impact | Italian Foodservice market outlook

In spite of pre Covid-19 forecast growth of +1.9% CAGR 2019-24, Italian Foodservice market is expected to reach pre-crisis level in 2023 (Scenario 1).

Italian Foodservice market outlook 2019-24 | Pre Covid-19 vs. Post Covid-19 W1 and W2

(Billion €)



Source: Deloitte estimation based on secondary data sources (Euromonitor, Allied Market Research and Statista) and interviews with industry operators

Covid-19 impact | Perspectives for the rebound of the Italian Foodservice market

Foodservice is intertwined with **Made in Italy**, and with its excellence contributes to the country's economy. It is therefore crucial for Italy to allocate necessary **resources** to strengthen the value of FS, considering strategic initiatives such as Recovery fund and Next Generation EU.

Structural investments and innovation should therefore focus on key areas that could benefit the recovery of the sector.

Should the opportunity be missed, the **target for the rebound** could move further away thus prolonging the wait for the expected recovery from a more favorable horizon (2022) to a less favorable one (2023).

A longer recovery would leave little room to creating new **opportunities** and would mean concentrating on individual initiatives while undermining **systemic actions**.

As the connection between Foodservice and agri-food is deeply rooted, a strong impulse in its direction could be the fly-wheel for an **economic revival of Made in Italy**, which is a cross-sector priceless asset at national and international level.

Investing on Made in Italy – starting from Food & Beverage and Foodservice – means **supporting the industry** as well as **stimulating growth** for the economy as a whole, resulting in a virtuous circle to sustain the local economy.

It is therefore necessary that FS and F&B players actively participate to **Recovery fund** and **Next generation EU** so to address the challenges ahead.



New frontiers shaped by Covid-19

Covid-19 | Impact on Foodservice value chain

All parts of the Foodservice value chain will keep experiencing the impact of the pandemic in the short and long term, leading to the need of re-thinking business models and chasing innovation.



For **food and drink product manufacturers and distributors**, **Foodservice** and Away from Home channels represent **important volume drivers**.

As well as **key drivers of branding**, bars, coffee shops and restaurants are key consumer touchpoints for product discovery and experience.

Covid-19 will partly affect this segment, due to the closing of several restaurants and the decrease of business volume.

Small and local producers will likely suffer the most due to the lack of diversification vs. other channels (e.g. retail).

Chefs and Foodservice operators will experience **raising prices from suppliers trying to partly compensate the drop in volume of business**.

In addition, governmental measures to face **sanitary crisis** will have a significant impact on **available capacity in the premises**.

In this context, **consumers** will develop a **"homebody" mentality and will reduce social occasions**, both for **gathering concern and for changing lifestyle** (smart working affecting lunch out of home, happy hour, etc.).

Delivery platforms and operators will be the only players to **benefit from Covid-19 situation**.

There might be **shortage of personnel/riders** and lack of fulfillment centers.

The post-pandemic situation will create further **opportunities** for these players.

Impact of Covid-19

- Positive
- Negative
- Strongly negative

Source: elaboration on market reports, desk analysis and interviews with industry operators

Covid-19 | New business scenarios



Starting from the top of the value chain, all companies will work hard to maintain the sustainability of the Foodservice "eco-system".



Direct to consumer focus

Key considerations

- Several out of home occasions turn into "at home"
- Product brands and distributors need to directly target final customers, for instance by leveraging on delivery platforms

- This leads to higher flexibility and customization opportunities, in addition to an increased knowledge and a deeper relationship with consumers

Business implications

- Accelerate Top line through re-design companies' go-to-market strategies and route to market
- Build stronger knowledge of final customer preferences with dynamic management systems
- Improve direct brand communication through media and innovative channels



Support restaurants

Key considerations

- Only some big players of the Food & Beverage industry are supporting their clients to maintain value chain sustainability (e.g. Sanpellegrino offered 1 M€ worth free products to support the premises with which it has a historical relationship)

- This situation should become a best practice by mean of successful collaborations and partnerships between Foodservice and F&B

Business implications

- Scout potentially successful and win-win collaborations (partnerships vs. M&A)
- Manage cash and liquidity to launch short-term initiatives that could drive long-term results
- Evaluate horizontal and downward integration/ partnerships to better control the value chain

Source: elaboration on market reports, desk analysis and interviews with industry operators

Covid-19 | New business scenarios



Key trends affecting the Foodservice market before Covid-19, now evolve in new scenarios.



Blurring sectors and formats

Key considerations

- Currently we are witnessing an opposite trend compared to grocerants format (Foodservice moving towards retail channels and formats)

- For restaurant operators, repurposing menu items, as meal kits or chilled prepared meals, offers an additional revenue and branding stream, particularly when sold through retail environments which are seeing record traffic

Business implications

- Accelerate Top line by re-thinking business models leveraging on new footprint and targeting locations with increased consumer traffic
- Develop innovative value propositions and formats that meet changed consumer behavior and habits
- Scout potentially successful and win-win collaborations (partnerships vs. M&A)



New relationship with customers

Key considerations

- The pandemic unavoidably reshuffled cooking habits, as households are now responsible for many more meal occasions each week
- Younger consumers have flocked

to recipe apps and livestreaming cooking lessons too

- Restaurants and chefs should serve as facilitators of techniques. Meal kits and branded grocery products are part of this, as are branded cooking classes

Business implications

- Improve brand communication and shorten distance with final customer
- Focus on "hot topics" to better shape a strong image, such as product quality, sustainability and reduced waste
- Create a customized offering based on a strategic target segmentation
- Empowerment of CRM in order to improve tactical vs. strategic marketing actions

Source: elaboration on market reports, desk analysis and interviews with industry operators

Covid-19 | New business scenarios



All players in the Foodservice value chain will need to re-think business models and strategy, in order to best target the new needs of the customer.



Rethinking business models

Key considerations

- Starred restaurants reinvent themselves between new spaces and new experiences
- Introduction of alternative payment

methods, such as paying in advance for a meal that will be eaten on another occasion

- Chains invest in the best personnel and trainings to face decrease of volume of business by raising upselling and cross-selling, and therefore average ticket per client

Business implications

- Accelerate Top line by enhancing salesforce effectiveness
- Innovate in terms of pricing model and payment conditions
- Re-design value proposition in terms of offering, image and vision
- Re-think company revenue and profitability model



Tech innovation to foster safety

Key considerations

- Several restaurants have already implemented new technological formats (e.g. QR code for ordering, contactless payments from totems, discounts for cashless

payments, etc.), but this should become a best practice among the operators

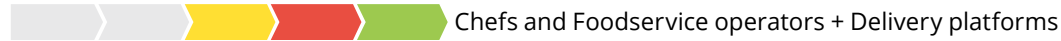
- Further innovation would involve the launch of dark kitchens or ghost restaurants, with the aim of reducing personnel and facilities costs

Business implications

- Boost digital innovation both in terms of approaches and systems.
- Favor end-to-end redesign of tech paradigms along the value chain.
- Enhance upward and downward integration to maximize value.

Source: elaboration on market reports, desk analysis and interviews with industry operators

Covid-19 | New business scenarios



Players need to go omnichannel and fulfill maximum flexibility to succeed in this new era.



Omnichannel as a mitigation strategy

Key considerations

- A long term shift away from eat-in service seems inevitable, with consumer concerns and official restrictions on restaurant dining likely to persist long after the current crisis

- The search for new revenue streams (e.g. delivery, meal kits) is likely to remain a key theme beyond the crisis

Business implications

- Differentiate offering and go-to-market
- Introduce new revenue streams
- Enter new channels
- Develop a customer acquisition program to target new segments (previously not covered)
- Reduce churn rate with loyalty programs



New collaborations for delivery

Key considerations

- The shift in priorities has been wide ranging, with even third-party delivery players partnering with FMCG brands

- Retailers are introducing deliveries of grocery products as well, through programs such as Deliveroo's Essentials and UberEat's recently announced partnership with France's Carrefour

Business implications

- Introduce partnerships and M&A with delivery players and on-line platforms
- Favor downward integration to better control delivery process
- Enhance control and knowledge of customer with more structured data collection

Source: elaboration on market reports, desk analysis and interviews with industry operators

Outlook on Foodservice according to FS players | Key insights and industry operators' quotes

Foodservice players in Italy are concerned about their performance in the very short term. However, their perspective for the future remains positive.

The next months will be challenging for the Foodservice industry, due to the economic and health crisis caused by Covid-19, ...

«Being compliant with new regulations for social distancing means experiencing a significant loss of volumes of business that it's tough to compensate in other ways ...»

Italian Starred Chef

«... as of now, nobody can be 100% sure of which formats and business models will be successful, in such a precarious and changing environment ...»

Italian Starred Chef

«... if on the one hand, starred restaurants are less affected by social distancing rules - already characterized by limited seats - casual dining restaurants are more flexible and best suit with new channels and concept, such as delivery»

CEO of premium Italian casual dining chain

... but players with a strong identity and consolidated relationship with clients will be resilient ...

«After the pandemic, customers chase even more safety and cleanliness, and appreciate our concern and care toward their health, nonetheless satisfaction ...»

General Manager of fine dining restaurant

«... we have not experienced such a big drop of turnover soon after the lockdown, because we target a specific and consolidated clientele that knows us and our values. Thanks to long-term relationships we're surviving the crisis ...»

General Manager of fine dining restaurant

«... we are leveraging on our strong identity. Nothing in our value proposition is left to chance, and our customers appreciate this. They choose to walk in, eat and experience»

CEO of premium Italian casual dining chain

... and will realign to pre-crisis trend through innovation and a proactive approach for the medium-long term

«Personnel is key in our premises. Once the client walks in and seat, it's all on waiters. We provide training to them, in order to amplify their sales skills. Our short-term strategy is to compensate lower volumes with higher average tickets ...»

Commercial dept. of Italian casual dining chain

«... of course this unexpected crisis affected our business, but it won't stop us. We have launched our e-commerce platform to sell wine, we have opened 5 new restaurants and boosted delivery sales ...»

Brand Manager of Italian casual dining chain

«Technology and social media will help us to overcome the crisis and shorten distance between us and our customers ...»

Italian Starred Chef

Source: elaboration on market reports, desk analysis and interviews with industry operators

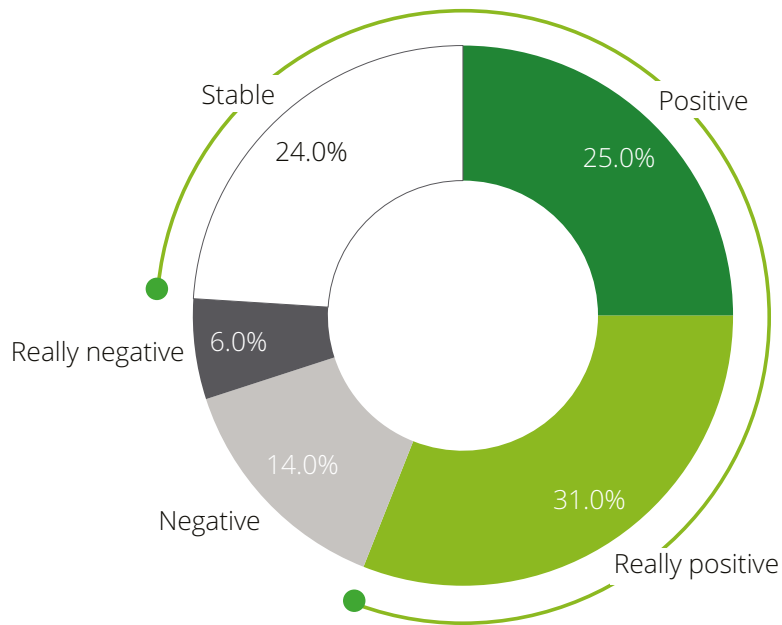
Outlook on Foodservice according to FS players | Focus on Italian restaurants abroad

Italian restaurants operating abroad show a rather positive sentiment about the future of the sector shaped by Covid-19.

Foodservice outlook according to Italian restaurants abroad

(Percentage of respondents)¹¹

“What is your sentiment about the future of Foodservice in the mid-long term?”



Key insights and industry operators' quotes

«Restaurants will make changes and 84% is already planning them. For 36% changes will be limited, but for 42% will be significant, while for 11% will even be "radical"»¹¹

Survey on Italian restaurants abroad

«For Italian restaurants across the world, Made in Italy agri-food (including wine) will not lose market share in their respective countries as a result of the Covid-19 crisis. For 41% will maintain the same shares while for 44% will grow moderately or significantly. Only 6% expect significant market losses»¹¹

Survey on Italian restaurants abroad

«Our innovative Foodservice format, with a consolidated and proven track record in the Italian territory is ready to be exported abroad. Covid-19 has only postponed a process that is meant to be launched»

CEO of premium Italian casual dining chain

11. A survey promoted by Melius circuit: World's 100 Best Italian Restaurants and Italian Leading Restaurants (on 36 high quality restaurants worldwide)
Source: elaboration on market reports, desk analysis and interviews with industry operators

Conclusions

Wrap up on Foodservice market challenges

Disruptive forces on Foodservice will play a significant role for the future of the sector.



Source: Deloitte elaboration

Response & Recovery

FS players need to protect business performance, mitigate the financial impact and show empathy towards employees and customers.

Priorities

Respond

- Protect, reassure and engage customers and employees
- Protect business performance
- Mitigate the financial impact of loss of revenue streams
- Manage supply chain disruption including stock outs, impact to upstream supply and seasonal stock ranges

Recover

- Support workforce and employees
- Restore revenue streams
- Understand changing consumer shopping behavior
- Assess current channel mix and physical locations including stores, warehouses and head office
- Optimize assets, liabilities, liquidity and resilience
- Manage stakeholder expectations

Actions

1. Customer demand growth and top line acceleration

- Develop a deep understanding of behaviors to attract and retain customer segments
- Improve assortment and product range for shift to greater in home consumption and value conscious consumption
- Personalize the experience for customers through tailored ranges and inspiration to create in home experiences
- Accelerate Top line by enhancing salesforce effectiveness
- Innovate in terms of pricing model and payment conditions
- Re-design value proposition in terms of offering, vision, and revenue & profitability model

2. Operational optimization

- Ensure the well-being of employees and prepare for the next wave of the pandemic
- Re-evaluate physical footprint development plans
- Get the basics right (hygiene, cleanliness, opening

- times/delivery slots, product availability) and establish an active dialogue with consumers to ensure needs are met
- Optimize supply chain to increase adaptability
- Improve resource allocation to build flexibility into the operating model to manage ongoing uncertainty

3. Acceleration of digital solutions

- Explore alternative fulfilment models
- Utilize the data flow and insights derived from the accelerated use of digital channels

4. M&A and partnerships

- Scout potentially successful and win-win collaborations (partnerships vs. M&A)
- Evaluate horizontal and downward integration/partnerships to better control the value chain

5. Sustainability and localization

- Explore new 'green' and local partnerships

Source: Deloitte elaboration

Introduction to Value Creation Services

Who we are

Creating and delivering value at speed



The single-minded **focus of Deloitte's Value Creation Services** team is to **improve Top line performance and enhance profits** for our clients.



With a suite of **proven and unrivalled techniques across Top line, Cash, Working Capital and Performance improvement**, we quickly identify, plan and implement a range of **tailored initiatives to deliver tangible benefits** across the entire value chain.



We have a **proven track record of driving growth** and helping organizations get back on track, both in case of **acquisition/divestment** and in case of **turnaround/transformation** support.

Top line acceleration

Our approach can generate an increase in Top line growth with tangible results within 3-6 months

Capability

We support you across the breadth of Top line topics: understanding the current performance, identifying the strategic and tactical growth opportunities through the identification and prioritization of revenue and sales operation acceleration levers.

We assess the product range, salesforce effectiveness, pricing, promotion & marketing efficiency as well as managing churn & loyalty and how they can drive/maximize revenue and improve sales-related costs. We can provide rapid and implementable support as well as ensure that the business can operationally mobilize to deliver the growth agenda.

Top line acceleration

Diagnostics

- Provide insights and prioritization into all areas of the business related to organic growth
- Define must-win battles
- Identify «red flags»

Transformation

- Prioritize «red flags» and identify quick-wins
- «Deep-dive» diagnostics on specific levers, through the execution of Deloitte toolkit for: Product/category management, Pricing, Churn reduction & loyalty, Marketing & promotions effectiveness, Salesforce effectiveness
- Design of solutions and top line acceleration plan

Execution

- Execute top line acceleration action plan
- Realize quick-wins through proven Deloitte toolkit aimed at delivering tangible results
- Set tools within the client company aimed at generating long-term and repeatable results

Embed result

Clarity

- Create a clear path to achieve your growth objectives

Expansion

- Increase share of wallet from existing customers

Growth

- Generate EBITDA gains by addressing multiple commercial opportunities: increasing share of wallet, product and customers prioritization, streamlining channel programs, improving pricing and sales related costs

Glossary

APAC: Asia Pacific

CAGR: Compound Annual Growth Rate

F&B: Food & Beverage

FS: Foodservice

FSR: Full Service Restaurants

GEN Z: Generation Z, that identifies people born between mid-to late 1990s and 2010s

NSI: Net Spending Intent

OOH: Out Of Home

p.p.: Percentage points

Q1: Quarter 1

Q2: Quarter 2

QSR: Quick Service Restaurants, combining fast food and 100% home delivery/takeaway outlets

ROW: Rest Of the World

W1: Wave 1 (first half of 2020)

W2: Wave 2 (second half of 2020)

YoY: Year on Year

YTD: Year To Date

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Consumer Industry | Key contacts



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