ALL CHANGE

Food service operators and their high-street counterparts are continuing to trade territories, with the former seeking exposure and the latter wanting more predictable revenues

The seeds of change were sewn in the late 1990s. First out of the blocks were the high-street coffee operators, Starbucks and Costa, adding value to the catering offer in the workplace. Then, in 1997 Gardner Merchant, as was, launched their Strolling Deli brand on to the high street. And in 2001, Ben and Hugo Warner took Benugo shops into the corporate worlds of Lehman Brothers and Deutsche Bank.

What were the catalysts driving these changes? Following the financial Big Bang in the 80s, the workplace saw rapid changes in working practices and how people eat. Overseas corporate institutions – with different attitudes and cultures – were coming to London to take advantage of deregulations in the financial markets. Canary Wharf was booming, with every conceivable food offer available. Space costs were spiralling and food provision in the workplace needed to change to keep up. Contractual arrangements were changing almost as rapidly, and cost-plus contracts were replaced with fixed-price, which in turn were superseded by nil-cost and commercial leases. They were just the kind of deals that are bread and butter to the high street.

To traditional foodservice operators, these changes meant new skills and methodologies had to be learnt and implemented quickly in order to match this competition. In 2012, we saw CH&Co acquire a 50 per cent stake in Apostrophe and then buy the remainder last year. This gave them a double hit: a high-street brand at the sharp end and the retail skill set to embed into their traditional markets. Other operators have chosen to buy in these skills, recruiting senior managers with retail food experience.

By and large, the retail high-street operators look enviously at the more predictable revenue in the foodservice sector, which is generally less affected by a lot of factors out of their control. They have a number of advantages over the foodservice operators; not least a recognisable brand, whereas foodservice operators are B2B brands. They are more familiar with lease/franchise commercial arrangements and their retail culture is one that the foodservice operators did not traditionally have.

It is likely we will see continued blurring between foodservice and high-street operators, with each seeking the rewards each other's market has to offer. The street food phenomenon and overall year-on-year growth in the eating-out market (up three per cent Qtr 2 2014-Qtr 2 2015) means the opportunity on the high street is enticing to foodservice operators, while high-street operators want the security of predictable revenues to balance the more volatile sales of their core business.

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