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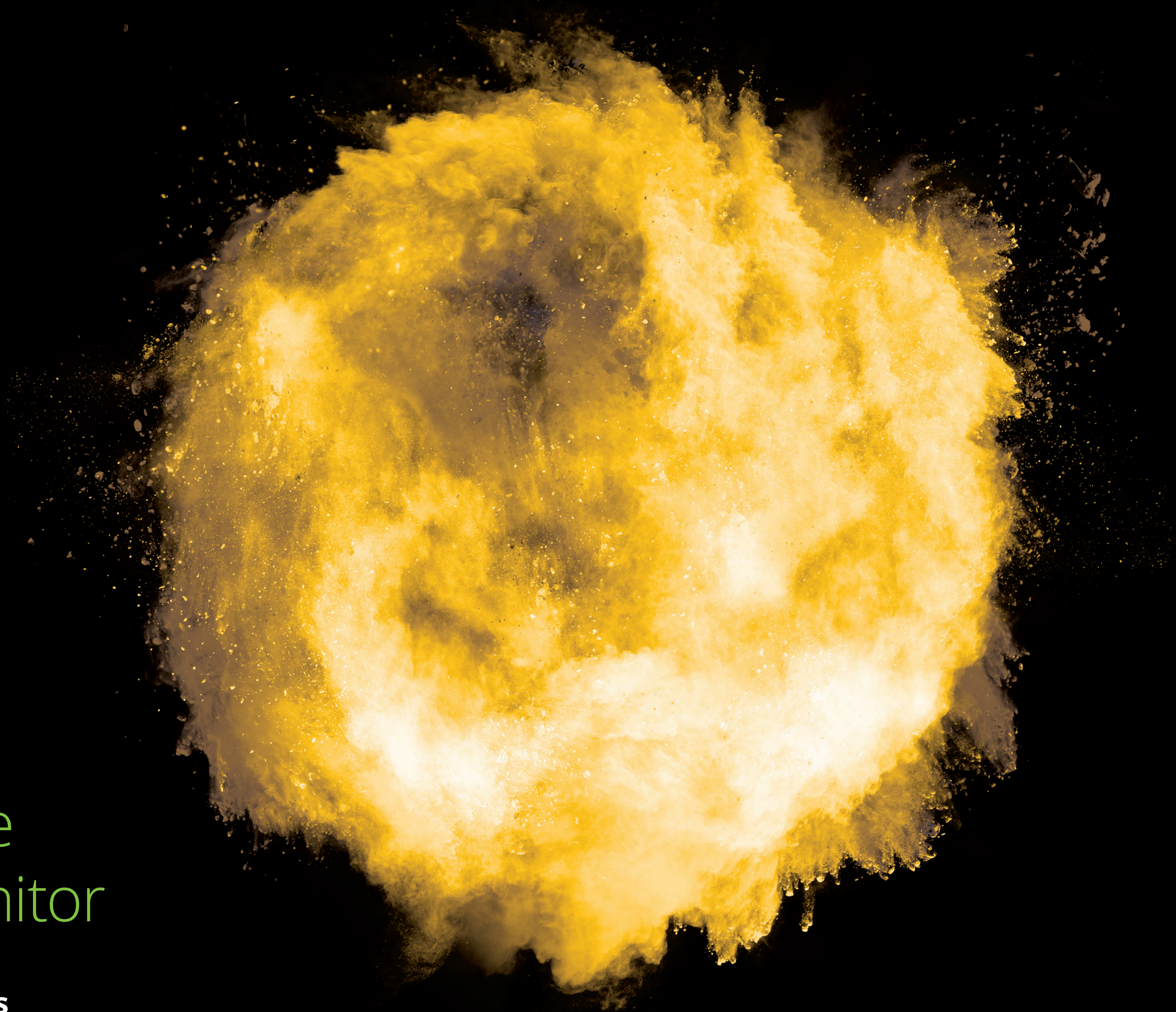


Foodservice Market Monitor

Evolutionary frontiers for the Foodservice sector

2023 edition

Contents

Executive summary

FOODSERVICE MARKET EVOLUTION

- **Global Foodservice reached 2,626 B€ in 2022,** returning to 2019 values (2,603 B€), with **APAC covering 41% of the market . Fullservice restaurants** are the biggest type of restaurant , accounting for 46% of the total
- The **overall market showed a +18.2% growth in 2022 vs 2021** , after the 2021 rebound following the Covid 19 pandemic, with strong growth in all regions besides APAC
- In terms of consumption mode, **delivery grew for the 6th consecutive year** , increasing its share from 5% in 2016 to 19% in 2022; while, focusing on type of occasion, **Travel showed the highest growth (+43.0% YoY 21-22**)
- **Chains represent one third of the global market**, showing a **double digit growth 2022 vs 2021** (+19.4%), **mainly driven by North America** (+29.9%), where most independent retail were forced to close during the pandemic
- **APAC countries show the highest penetration of Full service restaurants** , followed by Italy and France
- Top 10 countries represent ~78% of global FSR market. **Italy is the first European country** in FSR segment with a **2022 value of 37 B€**, with a **double digit growth YoY 21-22** (+15.2%)

ITALIAN CUISINE IN THE WORLD

- **Italian cuisine worldwide is worth 228 B€ in 2022** (19% of global FSR market), with **China and USA accounting for over ~60%** of the overall market value
- **2022 showed a double digit growth (11%) almost hitting pre pandemic values** (2019) when the overall market size was estimated to be worth 236 B€
- **USA, Germany and Brazil are the countries with the highest penetration of the Italian cuisine on the overall Full Service Restaurant** (respectively 33%, 25% and 23% of total), **after Italy** (86% of total FSR
- Analyzing top countries by **Italian cuisine size, the Italian restaurants are mainly positioned as value for money** , with **Asian countries showing the highest incidence of premium price restaurants**

CONSUMER TRENDS & MAIN CHALLENGES

- **The tourism recovery has increased HoReCa consumer spending**, with greater interest in the industry's premium experiences and **most tourists not expecting to indulge on restaurants spending while travelling**
- Consumers are increasingly mindful of **product sustainability** and **the potential benefits** of a healthy diet. The consumption of **vegetarian/ plant based products** appears to be steadily on the rise
- **The post pandemic has brought the normalization of a hybrid working model and consumers are shifting their Out Of Home eating habits, increasing the pre dinner and dinner occasions in restaurants instead of lunch**
- During 2022, **annual inflation** reached its highest level since 1996 due to several factors such as the war in Ukraine and the monetary stimulus
- Foodservice market operators are adjusting their value proposition through **sustainability, leveraging digital** to further **enhance customer experience** and **higher availability of data to make data driven strategic decisions**

FOODSERVICE MARKET OUTLOOK

- **While Europe and APAC show a negative trend until 2022, only APAC and ROW are forecasted to lead the market growth in the next years** North America and Rest of World are expected to return to pre pandemic levels in 2022, while APAC and Europe in 2023
- **Cafés and bars and FSR will drive the growth in the next years with a CAGR 2022-2027 respectively of +4.8% and +4.7% 4.7%**; Quick service restaurants and FSR are expected to return to pre pandemic levels in 2022, Street food and Cafès and bars in 2023

Executive summary

WRAP-UP ON BUSINESS OBJECTIVES

- **Foodservice players can operate towards different Value Creation levers to thrive in the competitive environment and macroeconomic volatility**, such as:

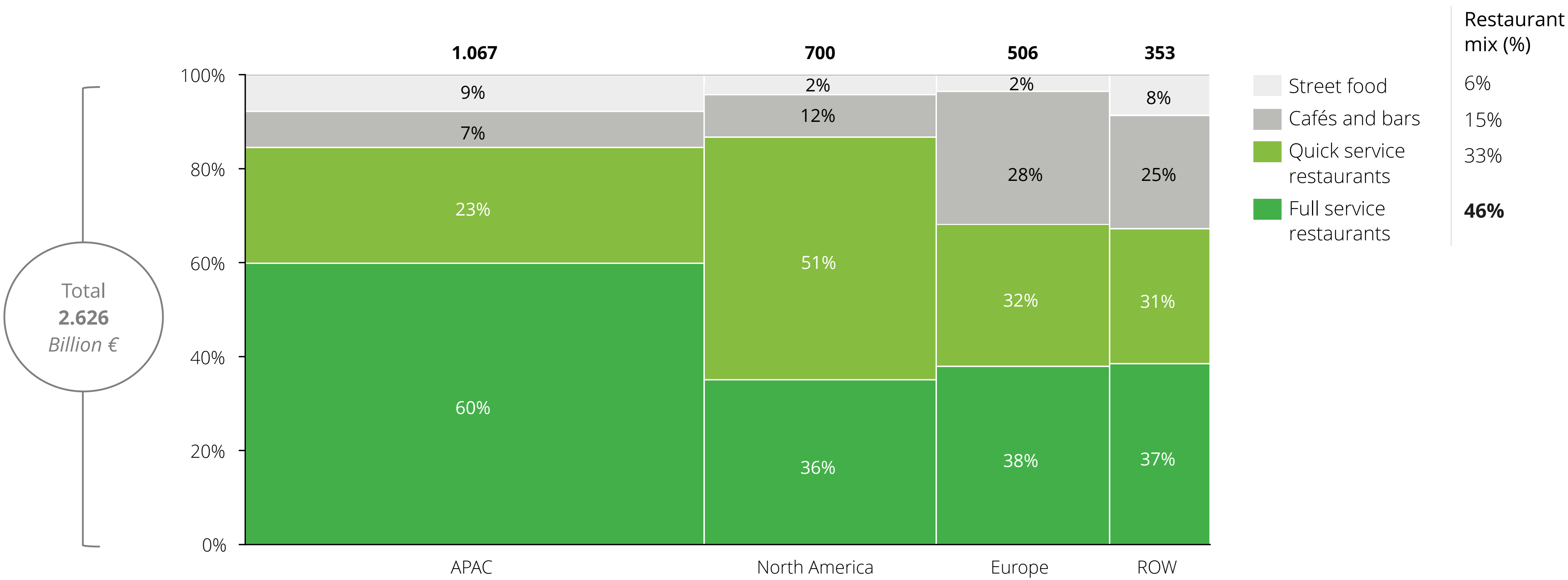
  - New openings > Development of an **expansion plan** by balancing between direct, licensed/franchising or identifying alternative operating model (e.g., joint investment with landlord, etc.), in order to widen geographical footprint, identifying key facto rs in terms of locations, format and expected profitability, while guaranteeing the same customer experience
  - Loyalty and CRM > Continue improvement of **customer retention** by offering **customized solutions** , leveraging the analytics available through **CRM applications**
  - Dynamic pricing > Preparation of a **modular offering** in terms of price and improve **promotion management** to match **price sensitivity of different customer clusters**
  - Cross shopping & partnership > Creation of partnerships with players operating in **adjacent sectors** to enable **cross-shopping opportunities** and offer a complete **lifestyle experience**
  - Omni-channel > Enhancement of **digital channels to increase penetration within Delivery and Take Away**, in order to guarantee presence on different sales channels
  - Brand identity > Improvement of the **notoriety and awareness of the brand and format offered** (product, location, service…), by fostering **brand recognition**

Market evolution

Global Foodservice reached 2.626 B€ in 2022, with APAC covering 41% of the market. Full service restaurants account for 46% of total

Global Foodservice market by type of restaurant and geography 2022

(Billion €; Percentage)



	APAC	North America	Europe	ROW
Geography mix (%)	**41%**	27%	19%	13%

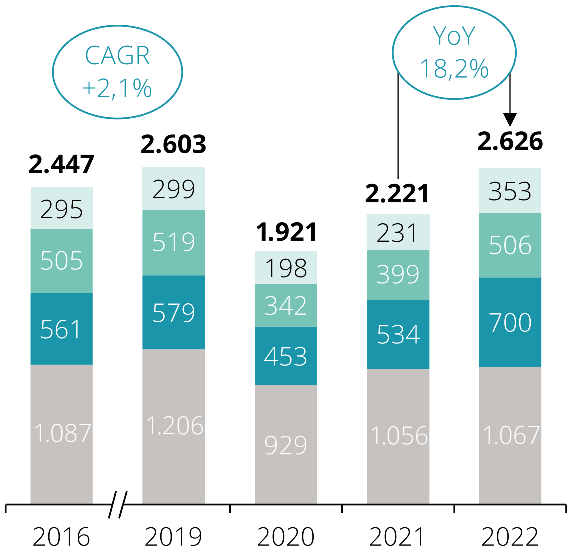
Note: numbers may not sum due rounding
Source: elaboration on secondary data sources (Euromonitor, Allied Market Research and Statista)

The overall market showed a +18,2% increase in 2022 vs 2021, with significant growth across all regions besides APAC, returning to 2019 values (2.603 B€)

Global Foodservice historical market performance

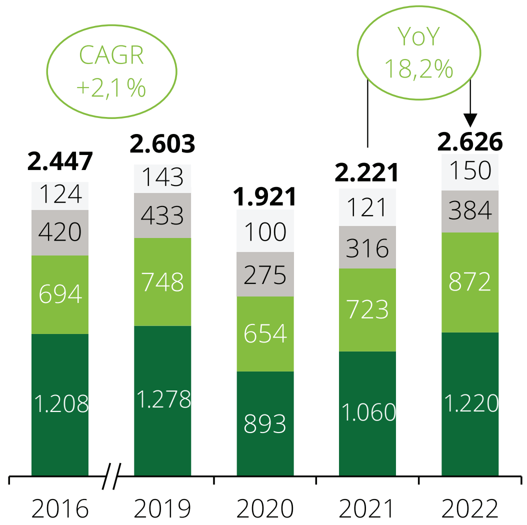
(Billion €; Percentage)

By geography



	CAGR 16-21	YoY 21-22
ROW	-4,7%	**+52,4%**
Europe	-4,6%	**+26,8%**
North America	-1,0%	**+31,1%**
APAC	-0,6%	+1,0%

By type of restaurant



	CAGR 16-21	YoY 21-22
Street food	-0,5%	+23,6%
Cafés and bars	-5,5%	+21,4%
Quick service restaurants	+0,8%	**+20,6%**
Full service restaurants	-2,6%	+15,1%

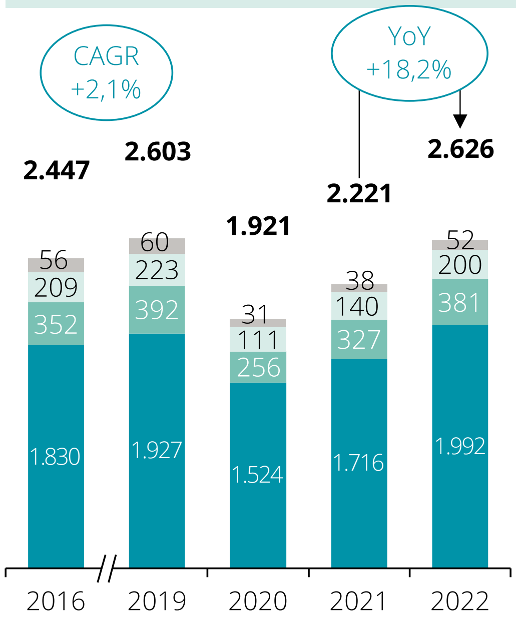
Quick service restaurants drove the 2022 growth.
Although experiencing a lower increase compared to QSR, Full service restaurants remain the main segment of the market

Note: numbers may not sum due rounding
Source: elaboration on secondary data sources (Euromonitor, Allied Market Research and Statista)

Travel experienced the highest growth (+43,0% YoY 21-22); delivery grew for the 6th consecutive year, increasing its share from 5% in 2016 to 19% in 2022

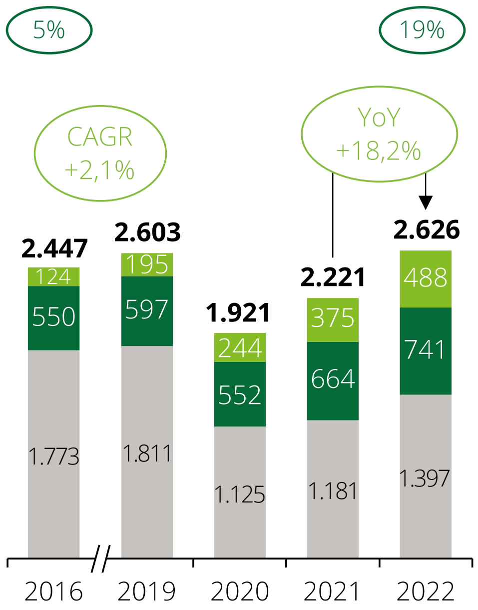
Global Foodservice historical market performance *(Billion €; Percentage)*

By type of occasion



	CAGR 16-21	YoY 21-22
Entertainment	-7,4%	+37,3%
Travel	-7,7%	**+43,0%**
Retail	-1,5%	+16,8%
Freestanding	**-1,3%**	+16,1%

By type of consumption



	CAGR 16-21	YoY 21-22
Delivery	**+24,9%**	**+30,1%**
Takeaway	+3,8%	+11,5%
On site	-7,8%	+18,3%

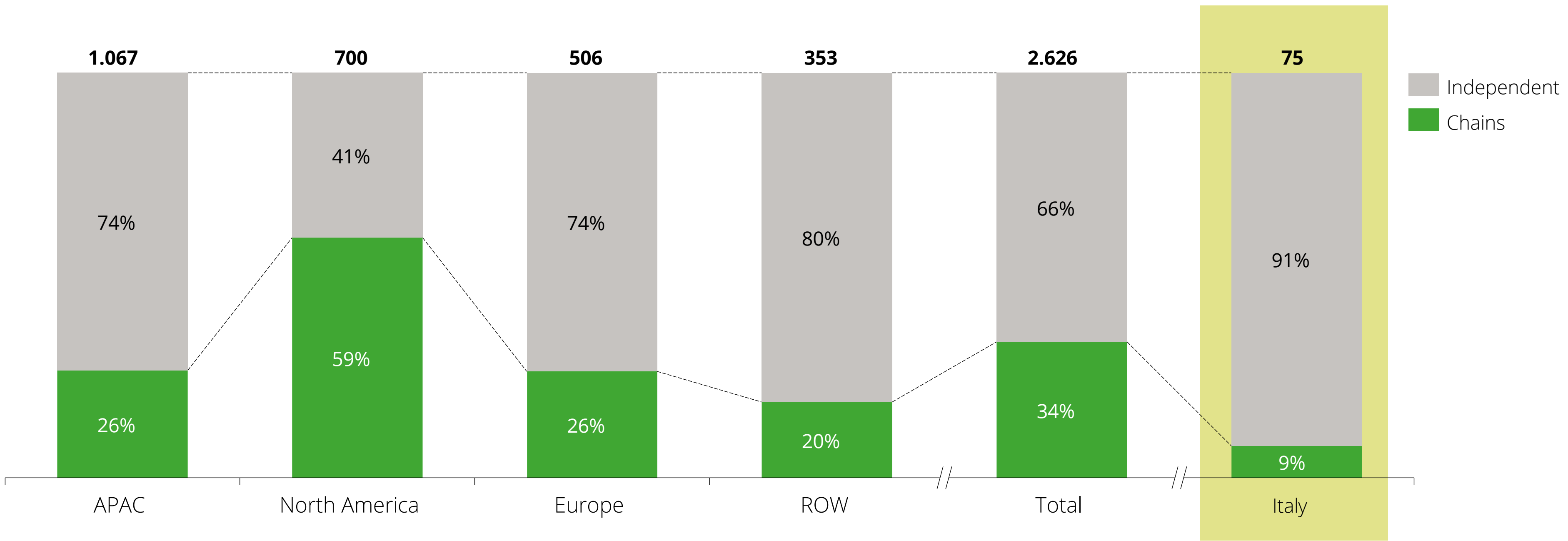
Share of Delivery on total

On site still represent the main type of consumption, with double digit growth enabled by the end of Covid-19 in-restaurants restrictions

Note: numbers may not sum due rounding
Source: elaboration on secondary data sources (Euromonitor, Allied Market Research and Statista)

Chains represent one third of the global market, showing a double-digit growth in 2021-2022 (+19,4%), mainly driven by North America (+29,9%) where many independent retails have been forced to close during the pandemic

Global Foodservice market by ownership and geography 2022
(Billion €; Percentage)



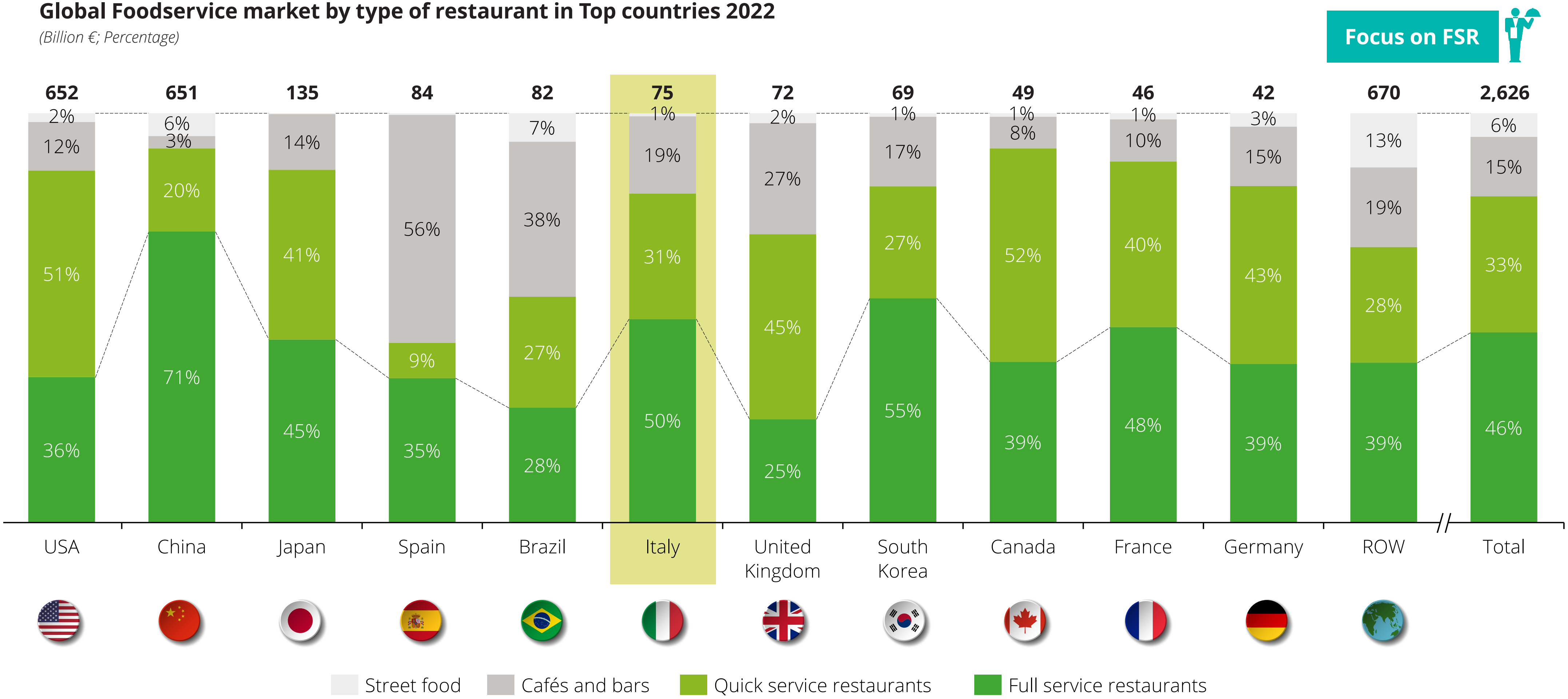
	APAC	North America	Europe	ROW	Total	Italy
YoY 21-22 Chains (%)	-1,3%	**+29,9%**	+23,2%	+66,3%	**+19,4%**	**+44,4%**
CAGR 16-21 Chains (%)	+2,7%	+0,7%	-1,0%	-1,1%	+1,0%	-2,0%

Note: numbers may not sum due rounding
Source: elaboration on secondary data sources (Euromonitor, Allied Market Research and Statista)

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

Global Foodservice market by type of restaurant in Top countries 2022

(Billion €; Percentage)



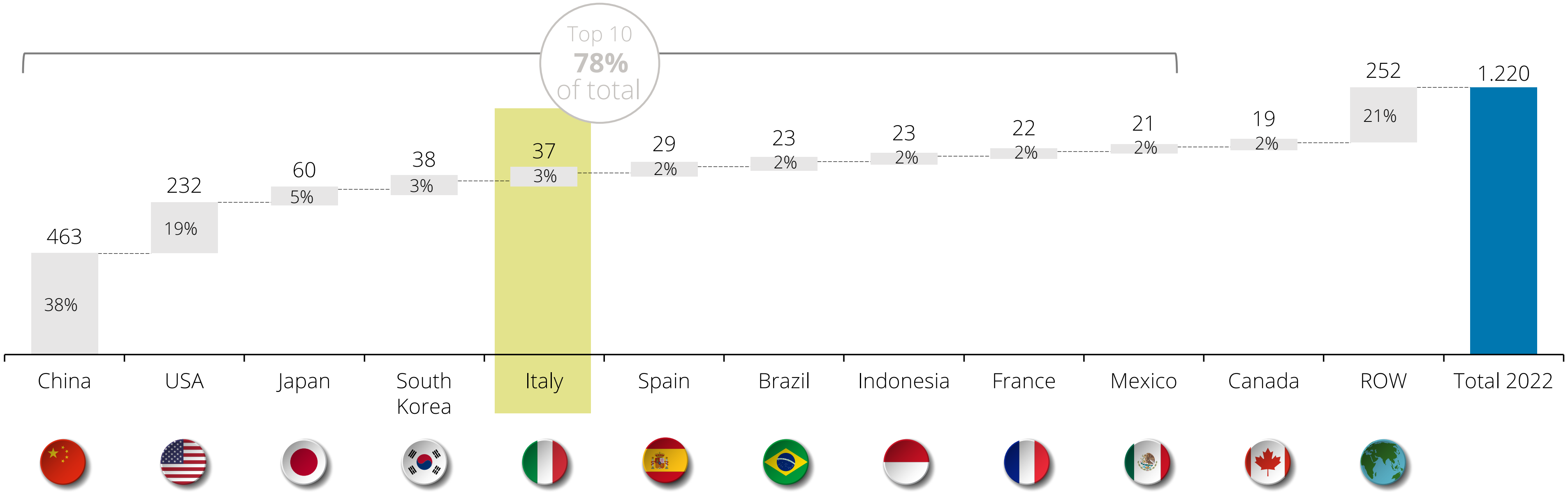
Note: numbers may not sum due rounding
Source: elaboration on secondary data sources (Euromonitor, Allied Market Research and Statista)

Top 10 countries represent ~78% of the global Full Service Restaurant market, with Italy representing the first European country within FSR in 2022 (37 B€)

Global full service restaurant market by Top countries 2022

(Billion €; Percentage)

Focus on FSR



	China	USA	Japan	South Korea	Italy	Spain	Brazil	Indonesia	France	Mexico	Canada	ROW	Total 2022
YoY 21-22 (%)	-11,1%	**+8,2%**	+20,9%	+4,0%	**+15,2%**	+16,1%	+4,7%	+24,3%	+20,2%	+10,2%	+14,5%	+10,9%	+1,6%
CAGR 16-21 (%)	**+1,1%**	-3,2%	-8,4%	-2,7%	-7,3%	-4,8%	-5,1%	-10,0%	-11,3%	-4,8%	-4,0%	-5,5%	-2,8%
Population 2022 (M. people)	1.413	335	124	52	59	47	216	278	66	128	39	5.204	7.960

Note: numbers may not sum due rounding

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

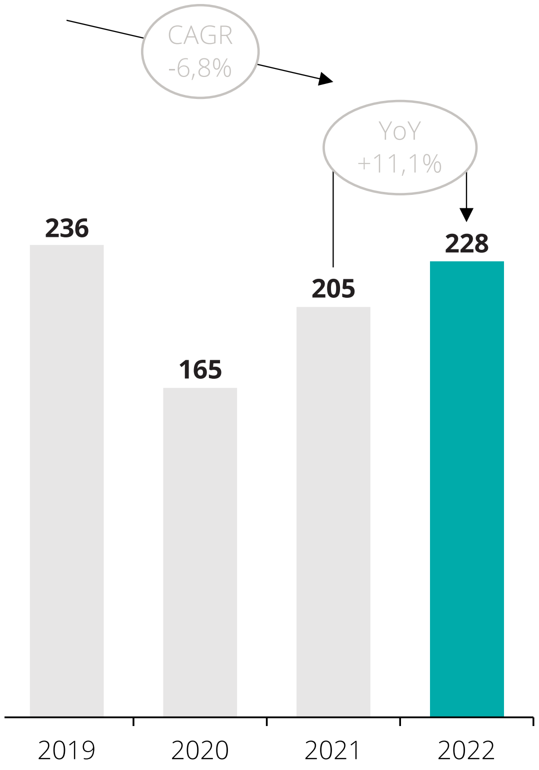
Italian cuisine in the world

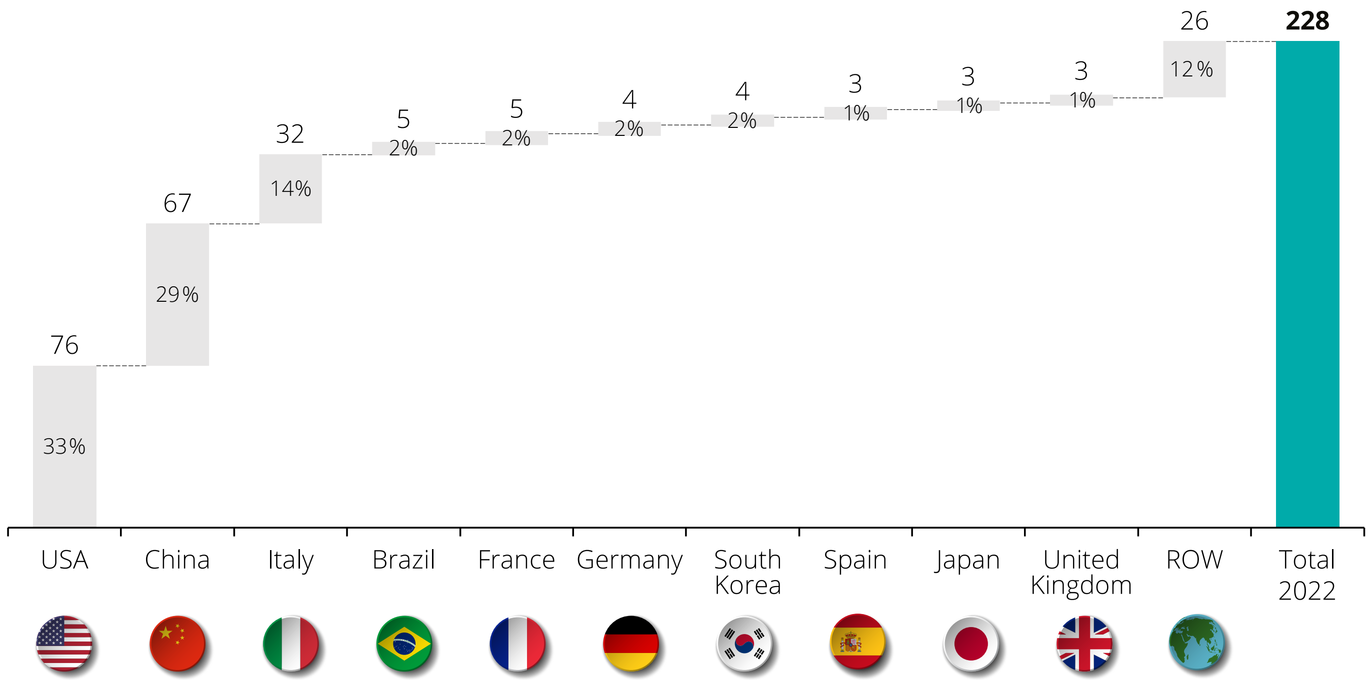
Italian cuisine is worth 228 B€ in 2022 (~20% of global FSR market), showing a YoY 21-22 growth of +11,1% and almost hitting pre-pandemic values

Italian cuisine market value 2019-22

(Billion €; Percentage)

Focus on FSR





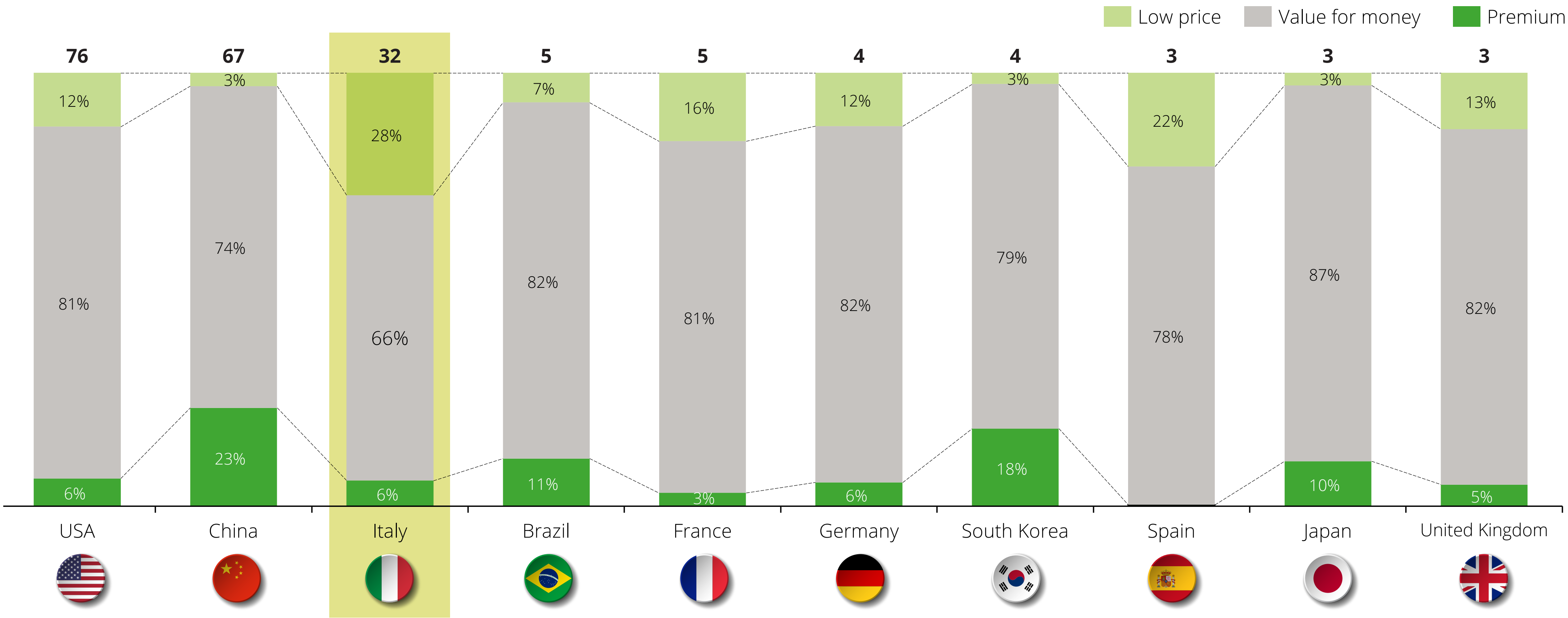
	USA	China	Italy	Brazil	France	Germany	South Korea	Spain	Japan	United Kingdom	ROW	Total 2022
Penetration on total FSR (%)	33%	14%	86%	23%	21%	25%	10%	11%	5%	14%	9%	**19%**

Notes: Italian cuisines mainly considers full service restaurants and fine dining formats (excluding street food, cafés and fast food)
Source: Deloitte Italian Cuisine Market Monitor

Italian cuisine restaurants are mainly positioned as value for money, besides Asian countries where premium price Italian restaurants have a higher share

Italian cuisine market by price ranges restaurants in top countries
(Billion €; Percentage)

Focus on FSR



Note: numbers may not sum due rounding
Source: Deloitte Italian Cuisine Market Monitor

Consumer trends and main challenges

Tourism is expected to drive the foodservice market demand uplift in the short term coupled with an increasing consumers concern towards sustainability and price surge

Foodservice Trend and Challenges – Demand

Tourism recovery

The tourism recovery has increased HoReCa consumer spending, with greater interest in the industry's premium experiences

+48,7%

Global travel and tourism 21-22 YoY growth

+33%

Tourists in Italy accept to indulge on restaurant spending

Hybrid work

The post-pandemic has brought the normalization of a hybrid working model and consumers are shifting their Out-Of-Home eating habits, increasing the dinner occasions instead of lunch

85%

Companies that have changed their policies to incorporate hybrid work worldwide

67%

Tourists in Italy accept to indulge on restaurant spending

Plant-based

CConsumers are increasingly mindful of product sustainability and the potential benefits of a healthy diet. The consumption of vegetarian/ plant-based products appears to be steadily on the rise

5,9%

Global Percentage of vegetarians consumers in 2022

+22,9%

21-22 YoY growth of vegetarians

Price surge

During 2022, annual inflation reached its highest level since 1996 due to several factors such as the Ukraine war and international monetary policies, driving prices to increase along Foodservice value chain

8,9%

Global annual inflation in 2022

19%

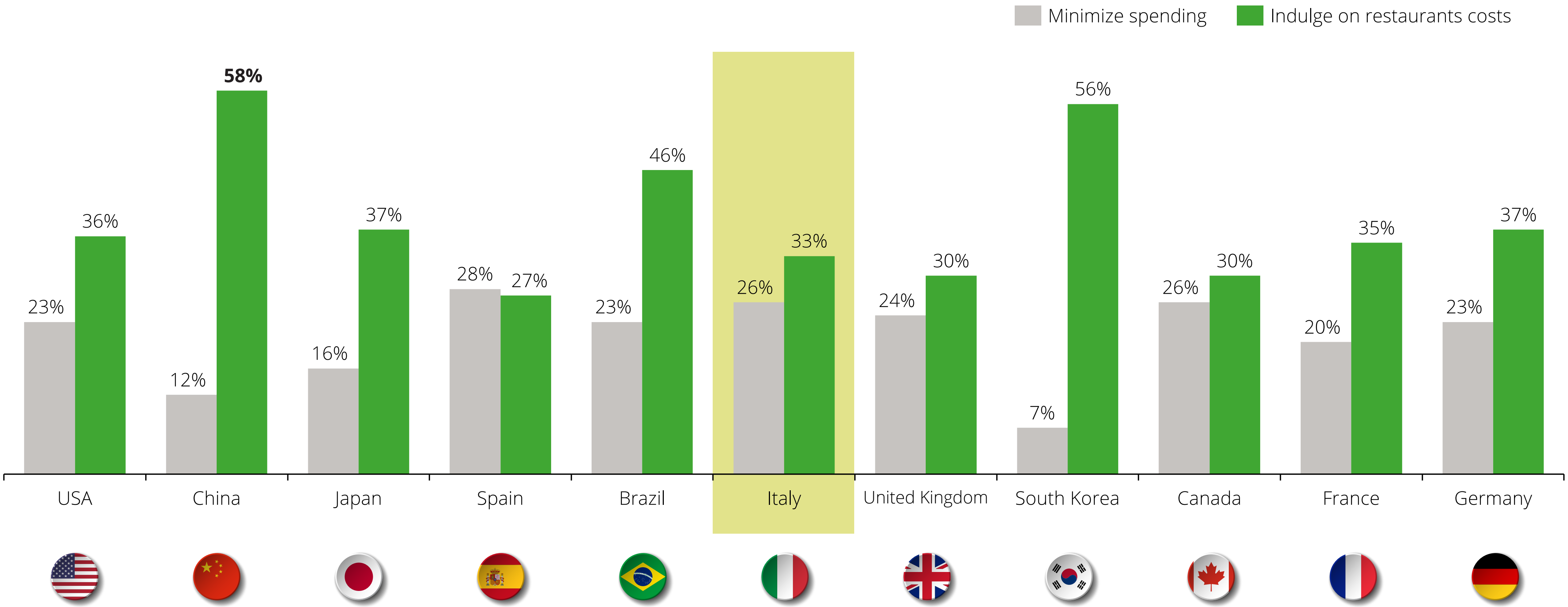
Global percentage of people who will reduce restaurant spending in 2023

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

Travelers tend to indulge in restaurant spending, with a higher propension across Asian consumers

Consumer propension on restaurants spending during travels, by country *(Percentage)*

While in destination, would you minimize or indulge on restaurants costs?

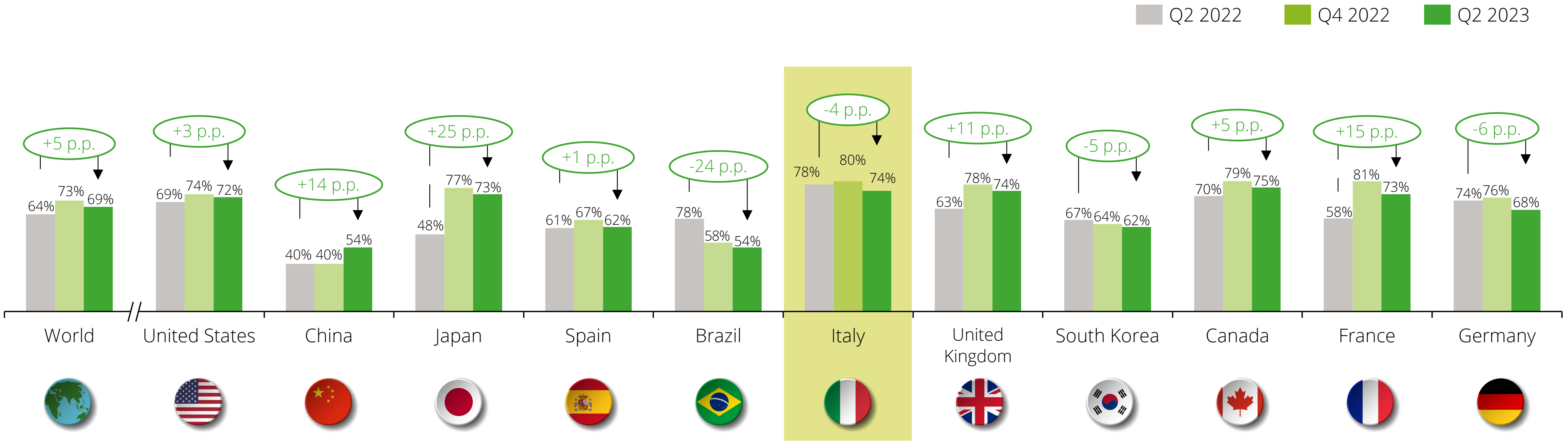


Source: elaboration on Deloitte "Global State of the Consumer Tracker"

Most consumers still expect restaurants' prices to increase in the short term, valthough diminishing in Q2 2023 compared to Q4 2022

Consumer sentiment on foodservice prices, Q2 2023 *(Percentage)*

Do you expect restaurants prices to increase in the short term?



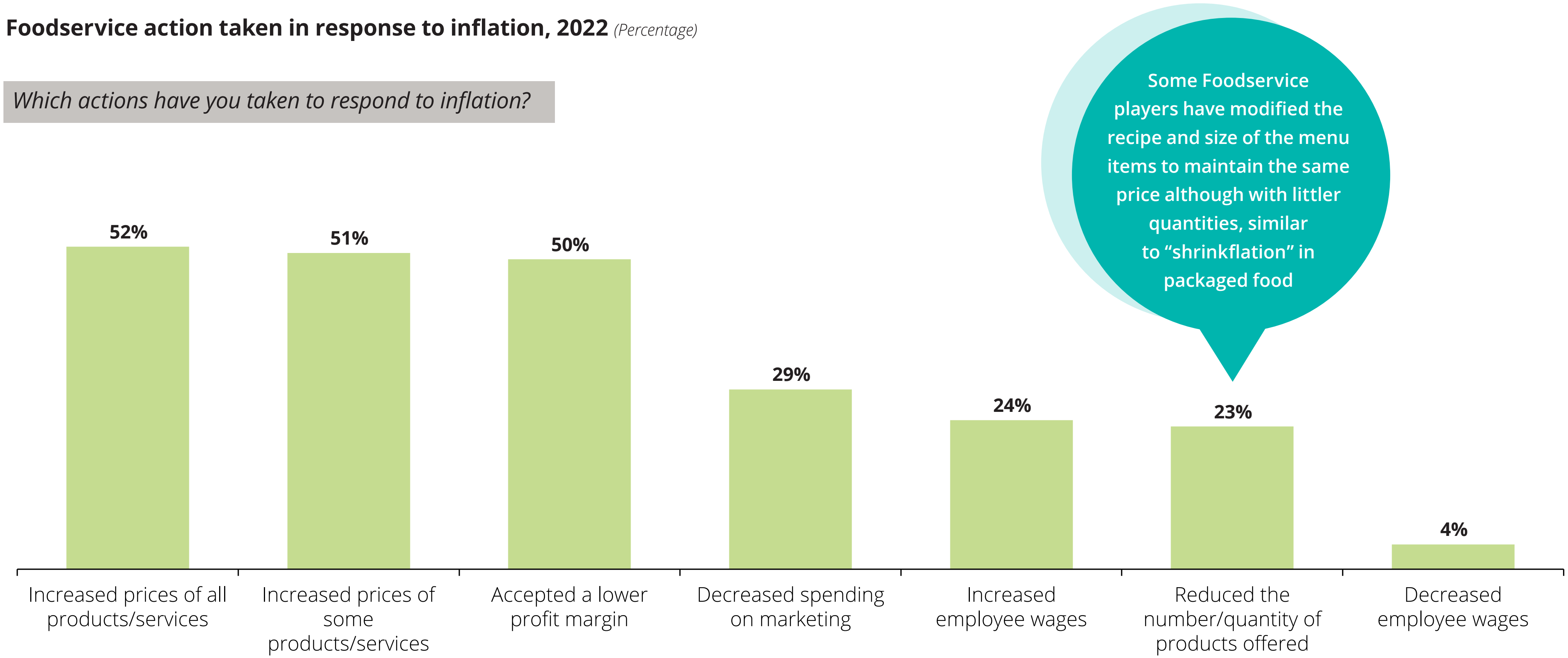
In Italy, even though the percentage of consumer who expect rise in restaurants prices is still high (74%), the trend is lowering, showing a decrease vs Q2 2022 of 4p.p.

Source: elaboration on Deloitte "Global State of the Consumer Tracker"

Inflation has highly impacted consumer choices, leading Foodservice players to take actions to respond

Foodservice action taken in response to inflation, 2022 *(Percentage)*

Which actions have you taken to respond to inflation?



While 50% of foodservice professionals accepted a lower margin, only 29% of them decreased spending on marketing and only 4% decreased employees wage to reduce costs

Source: elaboration on Deloitte "Global State of the Consumer Tracker"

Foodservice market operators are adjusting their value proposition through "premiumization" and sustainability, leveraging digital to enhance customer experience and have a better access to data

Foodservice Trend and Challenges – Supply

DIGITALIZATION

In the past years, foodservice players' **digital strategy** was focused on building an **omnichannel experience** for consumers, while in the future they are expected to **digitalize the internal value chain**, to manage supplies, control inventory and automate in-store processes

VEGETARIAN OPTIONS

To cope with the expected exponential **growth in demand for vegetarian and vegan options**, including an increase in the popularity of alternative proteins sources, new operators (both foodservice and food producers) are emerging in the market

SUSTAINABILITY

Increasing operators awareness towards sustainability requires them to choose the right products, managed the menu to **avoid waste**, select **sustainable suppliers**, use **renewable energy sources,** adopt appropriate materials and detergents and **manage food logistics while reducing CO2 emissions**

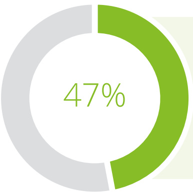
Source: elaboration on secondary data sources (Euromonitor, Allied Market Research and Statista)

Most consumers are not deterred by automation technology within restaurants, confirming positive propensions towards drone and driverless car delivery as well as voice-automated ordering systems

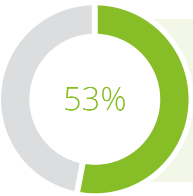
Survey of Foodservice consumer on use of technology, 2022 *(Percentage)*

How are Consumers preferences changing around Restaurant technology?

Drone and driverless car delivery

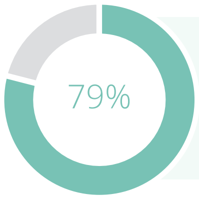


Of consumers said they would order from a restaurant that offered a drone or driverless car delivery

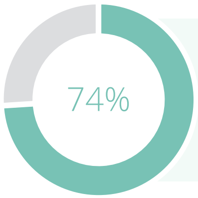


Of respondents said they receive contactless delivery more than half of the time

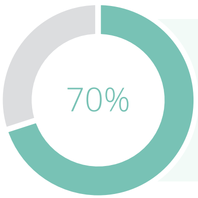
Voice-automated ordering systems



Of participants at least somewhat likely to return to a restaurant that uses automated voice systems for drive-thru

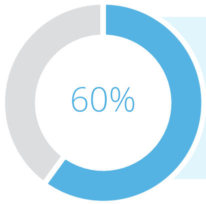


Of participants at least somewhat likely to return to a restaurant that uses automated voice systems for phone systems

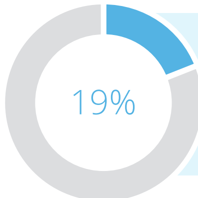


Of participants at least somewhat likely to return to a restaurant that uses automated voice systems for dine-in-use

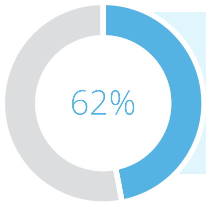
Kitchen automation



Of surveyed consumers report being somewhat likely to order from a kitchen that prepares food, at least in part, through robotic technologies



Of those surveyed had experience with a cashierless restaurant



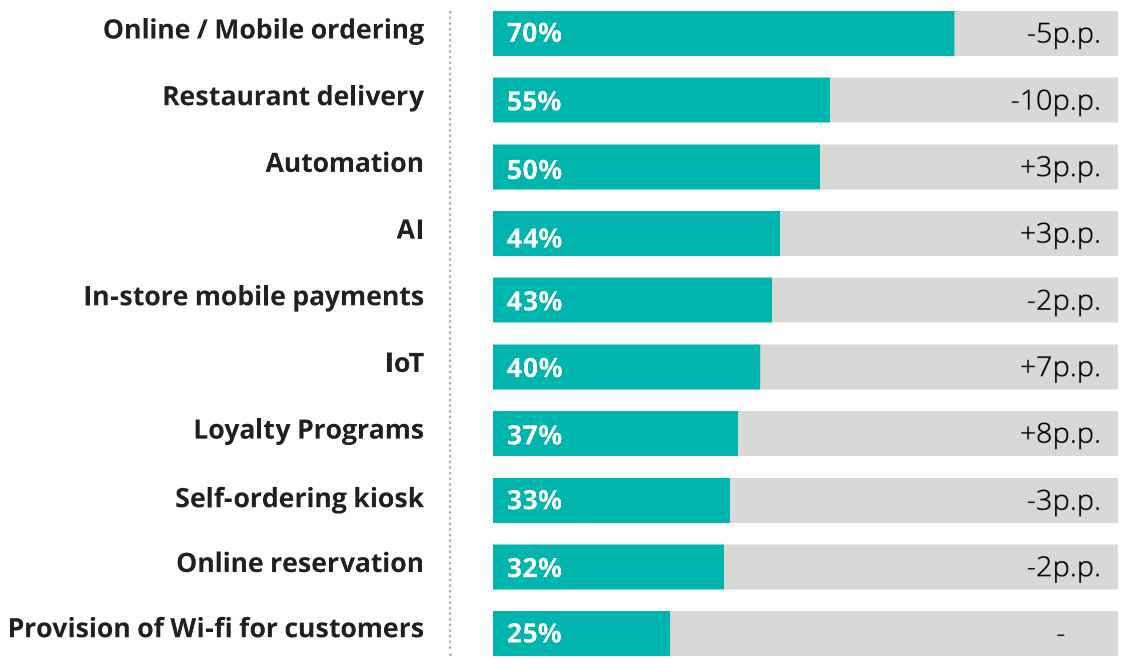
Reported being somewhat likely to order from one if given the opportunity

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

Several technologies are shaping the Foodservice industry, with new innovation such as automation, AI and IoT that are increasingly becoming relevant

Main Technologies that will impact Foodservice in the next 5 years, 2022 *(Percentage)*

Which are the main technologies that will impact your business in the next 5 years?



To **remain competitive** and **provide high-quality service, while preserving marginality**, operators are seeking **new opportunities** to **innovate and become more efficient**.

In particular, Foodservice players have **increased adoption** of **automation, self-service kiosks** and greater adoption of **loyalty programs** to collect consumers' data around their needs and preferences.

New technology to make the personalised and complex drink much simpler and enhance customers' experiences *(e.g., Starbucks)*

Table serving robots *(e.g., McDonald's, KFC, Happy Lamb Hot Pot)*

Digital revamp offers better experience for customers and give access to more data to Foodservice players, thus allowing them to make better data-driven strategic decision

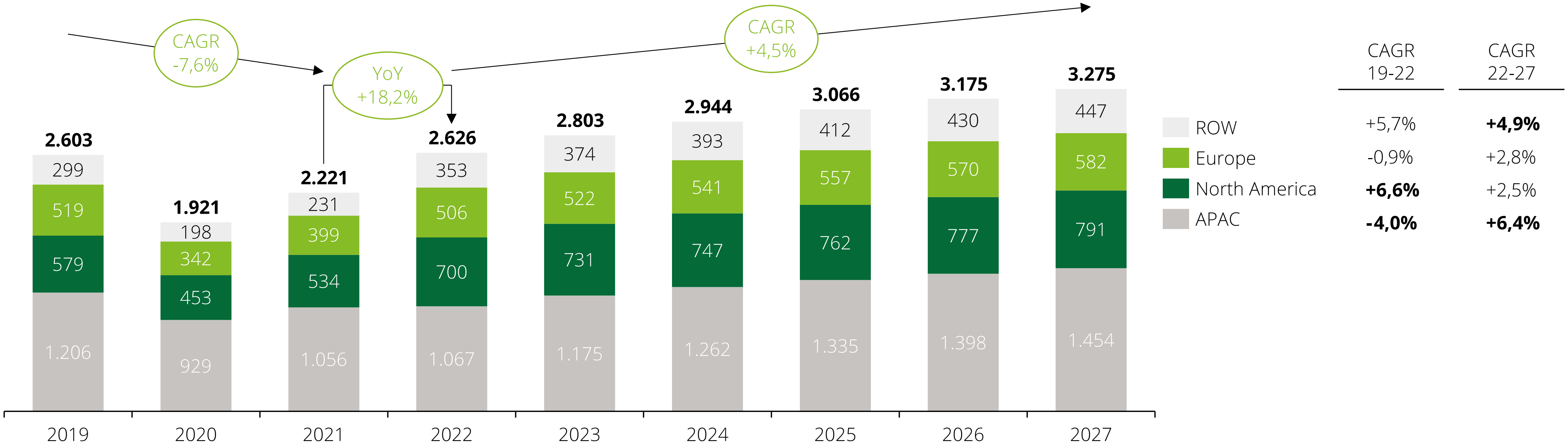
Source: elaboration on secondary data sources (Euromonitor, Allied Market Research and Statista)

Market outlook

APAC is expected to lead the market growth in the next years (+6,4% CAGR 22-27), reversing the previous negative trend

Global Foodservice market outlook by geography

(Billion €; Percentage)



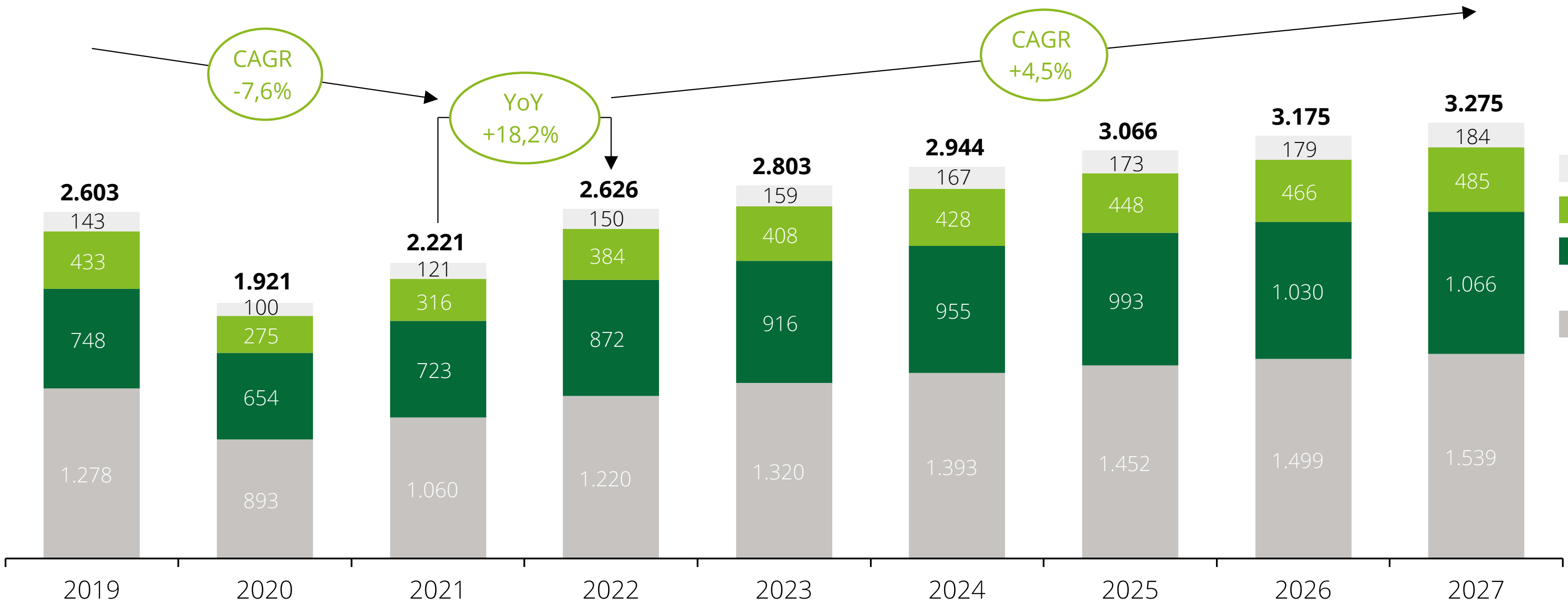
North America and Rest of World are expected to return to pre-pandemic levels already in 2022, while APAC and Europe in 2023

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

Full Service Restaurant will remain the key segment, driving the growth in the next years, although Quick Service Restaurant have increased its share after the pandemic

Global Foodservice market outlook by type of restaurant

(Billion €; Percentage)



	CAGR 19-22	CAGR 22-27
Street food	+1,6%	+4,2%
Cafés and bars	-3,9%	+4,8%
Quick service restaurants	**+5,2%**	**+4,1%**
Full service restaurants	-1,5%	**+4,7%**

Quick service restaurants and Full service restaurants are expected to return to pre-pandemic levels in 2022, Street food and Cafès and bars in 2023

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

Wrap-up on business needs

Foodservice players can operate towards different Value Creation levers to thrive in the current competitive environment and macroeconomic volatility

	Value creation levers		Case studies
Organic	**New openings**	Develop an expansion plan by balancing direct, licensed/franchising or new models, in order to widen footprint identifying key factors in terms of locations, format and profitability, with the same customer experience	Subway announced that it would open almost 4,000 new stores across mainland China over the next 20 years
Organic	**Loyalty and CRM**	Continue to improve customer retention by offering customized solutions, leveraging the analytics available through CRM applications	McDonald's loyalty program provides customers with personalized and exclusive menu suggestions
Organic	**Dynamic pricing**	Present a modular offering in terms of price and improve promotion management to match price sensitivity of different customer clusters	Increasing usage of big data analytics AI to manage pricing strategy, such as dynamic pricing
Organic	**Cross-shopping & partnerships**	Establish partnerships with players operating in adjacent sectors to enable cross-shopping opportunities and offer a complete lifestyle experience	Starbucks and Volvo are partnering to test electric car charging stations at 15 Starbucks outlets in USA
Organic	**Omnichannel**	Leverage digital channels to increase penetration within Delivery and Take Away, in order to guarantee presence on different sales channels	Chipotle opened its first digital-only restaurant in USA to offer a new experience to its clients
Organic	**Brand identity**	Need to consolidate the notoriety and awareness of the brand and format offered (product, location, service...), by fostering brand recognition	"Flash Takawey" format of Pokè Flash, that allows to receive a personalized dish in less than a minute
Inorganic	**M&A**	Diversify business both within and outside the relevant geographic boundaries and expand into new format and products segments, acquiring new tech solutions, by leveraging M&A opportunities	In the past year McDonald's and Yum! have made numerous tech acquisitions

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

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Value Creation Services – 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/maximise revenue and improve sales related costs
- We can provide rapid and implementable support as well as ensure that the business can operationally mobiles 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 results

Clarity

- Create a **clear path** to **achieve** your **growth objectives**

Expansion:
- **Increase share of wallet** from **existingb customers**

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

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