Not so fast-food

Submitted by Shift to Tower Hamlets, October 2017

Purpose

This paper sets out our latest understanding of the hot, delivered and takeaway food market in Tower Hamlets and the opportunities for improving the healthiness of the meals served in this sector.

Sources

This paper is informed by a body of work undertaken by an alliance of organisations who share a common interest in how to mitigate the risk to health posed by the increased consumption of current takeaway food.

This work comprises the following:

- quantitative surveys of 60 restaurants
- in-depth qualitative interviews with 13 restaurants
- Nutritional profiling 450+ takeaway meals
- Analysis of electronic point of sale data and business costs
- Intercept interviews with 135 customers.

Specifically in Tower Hamlets, the team at Shift have mapped and nutritionally profiled restaurants across the Borough, before working closely with restaurants on Burdett Road to capture sales and cost data, co-design in-restaurant interventions to reduced calorie content of meals and test their impact on sales, customer satisfaction and costs.

Market Context

Cooking is now a hobby for those who wish to invest their time in this way. For the remainder, processed foods, ready meals and increasingly hot, delivered/takeaway food is a continuation of a convenience trend that has dominated most consumer markets for approaching 70-years. These food developments provide a convenient and cost-effective solution to the multiple pressures on individuals' time.

However, the foods available through the local takeaway market remain limited to high sugar, salt and fat meals designed as occasional treats, but which have now become everyday. This highly fragmented market (60,000 independent outlets) has lagged behind developments in the consolidated food retail sector.

Developments in the digital economy are accelerating the growth of hot delivered food in 4-ways:

1. For those under 35, their primary interface with the world is digital and food is as much a natural part of this interaction as any other sector. Food in supermarkets is not the dominant model for these people..
2. The aggregators (Deliveroo, UberEats, Just Eat, Amazon) are providing a convenient solution to access hot food at home without cooking or reheating.

3. These new routes-to-market offer the opportunity for delivery only kitchens (eg. Deliveroo Additions), saving restaurants circa 15% of business costs for retail space, with implications for planning and environmental hygiene (see below).
4. Historically, in the out-of-home sector there has been a simple 1:1 ratio between kitchens and restaurants. Now a single kitchen can present itself to the market as multiple 'restaurants' with no change in physical infrastructure.

Combined, these factors will lead to a rapid expansion of the hot, delivered food sector. This potential can be seen in the £2bn market valuation of Deliveroo at a rights issue 3-weeks ago.

Key Insights

The following represents the key findings and insights from the work to-date:

Restaurants' relationship with health

- Outlets dominant concerns are keeping regular customers (70%-80%) happy (in particular not risking online reviews) and controlling business costs.
- Growing sales, healthily is a positive conversation they are willing to engage in.
- Owners/ operators are risk averse but very quick to copy new innovations in competitors - outlets serving the same type of food.
- A small number of innovators are present who have an externally focused outlook and are willing to try new ideas.

Restaurant finances

- 20% of restaurants operate at the margins of financial sustainability.
- Outlets are part of highly localised micro-economies involving other sectors such graphic design, printing as well as providing employment in their own right.
- Indications are that restaurant sales are heavily reliant on a very small number of meals (Pareto effect), by inference the impact on diet is also mainly driven by these meals.

Nutritional Profile of meals

- In terms of market size Indian, Chinese and Pizza remain the dominant categories with Fried Chicken in a distant 4th place.
- Nutritionally pizza and chicken are more calorie dense than Indian and Chinese food whilst all offer comparable portion sizes.
- Fried chicken is cheaper at £0.27/100cal versus pizza at £0.57/100cal and in terms of absolute price point (£3.00 vs £6.84) making it the most accessible food type for young people
- In terms of caloric density (cal/100g), 100% of the calories in pizza relate to raw ingredients (the supply chain) compared with 60% for chicken with the remaining 40% relating to preparation methods (outlets).
- Increased competition leads to two responses: increased portion sizes to offer better value and the use of cheaper ingredients which tend to have higher fat content and/or absorb more fat during cooking. This creates a double impact on calorific value..

Policy Considerations

It is evident that policy needs to be developed recognising that hot, delivered/ takeaway food will grow ahead of the overall food market as a natural continuation of the trend toward convenience. This is not reversible nor can it be appreciably slowed.

The strategy must address two issues:

- Reduce the calorific value of the fastest selling dishes in the current takeaway estate
- Prefer the growth of healthier new entrants to the hot delivered/takeaway sector.

Consideration should be given to further optimising the 'Healthy Food Award' by:

- focusing on certain food types (childhood obesity = fried chicken and the family purchase of pizzas)
- working closely with the market innovators and using the pre-existing copycat behaviours to spread better practice
- extending the award into the stocking/ pricing policies of local wholesale and cash'n'carry outlets
- rewarding behaviours that impact calorie content of the fastest selling meals
- re-branding the award away from 'health' which is a disincentive to outlets and customers (e.g. a 'Local Legends' award)

In addition, a financial incentive package needs to be developed that prefers new, healthier entrants to the hot delivered/takeaway market, assists them in overcoming the barriers to entry and supports them for a period of time to establish a new food offering. Incubating these start-ups from the community for the community has the potential to localise the economic benefit.

Supplementary planning advice has had positive impacts by not pushing existing restaurants into insolvency, precluding the introduction of more high calorie offerings and not exacerbating the natural competitive response of all outlets (see above). However, it also has the effect of locking-in the existing high calorie restaurants and preventing the development of new healthier entrants. The effectiveness of this policy is time limited as delivery-only kitchens and the use of online routes-to-market will circumvent planning as a market development break.

Summary

A proactive approach to supporting the growth of new healthier entrants to the fast food market, from the community and for the community, will dilute the negative impact of current offerings. It provide a positive incentive to 'grow sales healthily' for the existing estate which can be supported to adapt through a recognition scheme, based on hygiene and health related behaviours, that celebrates their place in the community. This can be replicated in the local supply chain to reduce the financial barriers to implementation.