

Market insight from Christie + Co

The UK restaurant market

How innovation can help the sector continue to grow

Richard Lambert, director general of the Confederation of British Industry (CBI), recently said: “When times get tough, firms want to stick to what they know best rather than try out new ideas. But the services sector contributes three-quarters of the UK’s economic activity, so its continued dynamism is a matter of vital importance.”

Lambert’s comment came after a joint report by the CBI and Qinetiq showed that businesses in the services sector that take risks and try new ideas even during an economic slowdown are often more likely to succeed.

The growth and subsequent innovation of the food-led pub sector, in line with the introduction of the smoking ban, has also highlighted the need for restaurant operators to incorporate new ideas and marketing techniques.

While the majority of companies in the UK restaurant sector are keeping their powder dry, doing all they can to make sure profit targets are met and, quite literally, that there is food on the table, others are being bold and innovating in an attempt to generate sales and growth during challenging trading conditions.

However, innovation can be a risky step. For every Gourmet Burger Kitchen success story there is invariably a failed-to-take-off Jo Shmo’s warning.

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Established operators

It’s much easier try something different when you are already the operator of a number of well-known brands. Although still a risk, financial backing, established reputation and experience can all help with the launch and rollout of a new concept.

The Tragus Group, the operator of established high-street brands Café Rouge, Bella Italia and Strada, has already proved that it can successfully launch a new concept with the continued rollout of its fledgling Spanish tapas concept Ortega, which currently stands at seven outlets.

In April this year, the company unveiled its latest idea - Huxleys Bar & Kitchen — a British bar and brasserie concept — at Heathrow’s new Terminal 5 building. Reportedly producing weekly sales of £60,000, it is unsurprising that Tragus is now thought to be considering opening further sites under the brand, with more airport locations, plus pub units and high street locations seen as possible targets.



Gondola Holdings, the operator of Pizza Express, Ask and Zizzi, has already had its hands burnt when it comes to new concepts with Jo Shmo's, its American diner brand, set to be taken off the market after only growing to three sites over the last eight years. However, its replacement, Byron, a new casual dining burger concept, is already set to match that figure after just a year.

Launched in February this year in Kensington, London, critics have been effusive in their praise for Byron, with The Times restaurant critic Giles Coren declaring it served "probably the best burger I have ever had".

The company is now set to convert two of its former Jo Shmo's outlets in Guildford and Kingston-upon-Thames to the new brand, while it is also looking at other locations for the concept.

Alan Yau, the founder of Wagamama, has launched not one but two new concepts over the last 12 months – a fine-dining concept called Hakka Berkeley, and a fast casual dining experience called Cha Cha Moon.

The operator of the Busaba Eathai brand, who is set to unveil his new fine dining concept next year on the site of the old Café Grand Prix site in Berkeley Street, launched Cha Cha Moon in Soho in May. Yau, who sold his Michelin-starred restaurants – Hakkasan and Yauatcha – to Tasameem, the property arm of the Abu Dhabi Investment Authority for £30.5 million in January, believes Cha Cha Moon has the rollout potential of Wagamama, which currently has an estate of 59 sites in the UK and circa 30 outlets overseas.

Jamie Oliver maybe a household name for his cooking exploits, his "15" restaurants and school dinners campaign, but he has also decided to enter the casual dining sector with the launch of the Jamie's Italian brand, which made its debut in Oxford in May. The high-profile chef is set to open further sites in Bath and Brighton as part of plans to launch up to 40 outlets for the new concept, with 20 scheduled to be operating over the next five years.

Paramount Restaurant Group, which operates the Chez Gerrard brand, has launched a casual dining version of its Bertorelli brand called Il Bertorelli. The first trial site under the new brand, which according to the company is "a slightly more value conscious offering for the mass market than the original concept", opened in June in London's Blackheath. Paramount is believed to be waiting to evaluate the success of the trial site before considering a rollout.

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Fresh approach

Although the current economic climate is not altogether conducive to launching an innovative brand from scratch, a number of new companies have decided that 2008 is the right time for them to unveil their new offerings to the sector in an attempt to be the next Leon or Eat.

Cote Restaurants, which was founded by the former management team that developed and grew the Strada brand, opened its first site under its new French bistro concept in Wimbledon Village last autumn. Backed by Richard Caring, the clothing entrepreneur, the company has already grown to three restaurants with a further three planned for this year.

Gourmet Hotdog Company launched its first outlet in February this year in London's Soho district. The brainchild of Mark Yates, who was previously behind the launch of The Real Greek, Livebait and Break for the Border, a second outlet is planned for Oxford Street, with a third to follow near Spitalfields Market. Backed by 13 private investors, long-term plans for the concept include overseas franchising agreements.

UP Box was launched in April this year by Nick and Ines Alfille, the owners of the Up and Out catering company, in Ludgate Circus, London. The concept, which stands for Urban Picnic, serves bento-style breakfast and lunch meals aimed at City workers. The couple plan to rollout the concept to more London sites.

Ponti's, the Italian coffee shop operator, made its first move into the casual dining market in March with the launch of its first Ponti's Italian Kitchen in Duke Street, London. The company plans to open a further site in the West End before the end of the year.

Da Scalzo is a new art café venture from Enzo Scalzo, one of the co-founders of Patisserie Holdings, which is set to open its first outlet in London's Belgravia at the start of September. The new casual dining concept will serve breakfasts, pre-theatre dinners and feature a champagne bar.

Mini-mes

Small may be beautiful but it is also the perfect way for many established operators to take their high street concept to parts of cities it would usually not reach, while at the same time raising brand awareness.

Pret A Manger, the sandwich and coffee bar chain, which was acquired by Bridgepoint Private Equity in a deal believed to be worth £345 million earlier this year, launched its first kiosk site late last year in the Palisades Shopping Centre in Birmingham. Based on the old US air stream trailers, it is believed that the company is targeting shopping malls and transport hubs as possible locations for the new concept.

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YO! Sushi, the Japanese restaurant chain, originally launched its YO! To Go kiosks in London in 2006, only to close them after the concept suffered teething problems. It relaunched the concept, which is designed to be an extension of the group's restaurant format without the conveyor belts, in Liverpool Street and London Wall, late last year.

Giraffe, the world-themed restaurant chain, which operates 23 sites in the UK, introduced its new Fresh Juice & Bar concept, at Heathrow's new Terminal 5 in April. The company said that if the concept, which serves freshly made sandwiches, wraps, juices and smoothies, plus roasted coffee, was successful, it would open more in busy high street and business locations.

International influence

While operators in the UK concentrate on expanding their new concepts nationally, overseas rivals are looking to bring their internationally-established brands to the UK.

Vapiano, the fast-casual dining concept from Germany, opened its first British site in London's Regent Street at the start of June. The company plans to expand the fresh pizza, pasta and salad concept to up to 25 sites in the UK over the next five years. The group already operates 20 outlets across six European countries plus three stores in the US.

Tibits, the Swiss vegetarian restaurant concept, will make its UK debut in August in London's Heddon Street. The group, which operates four outlets in Switzerland, will open a second UK unit in the new Westfield Shopping Centre in Shepherd's Bush before the end of the year.

Cilantro, the Egyptian coffee shop chain, launched its first outlet in the UK in Piccadilly in April. The group hopes the Piccadilly opening will be the first of up to 20 planned for the UK over the next 12 months.

Kati Roll Company, the Indian street food concept, will open its first UK site by the end of the year, after acquiring the leasehold of a unit in London's Poland Street

Pinkberry, the low-fat yoghurt concept that has taken the US by storm, is reportedly set to open its first UK site before the end of the year, with London's Canary Wharf the expected location.

Texas Chicken made its UK debut in February when it opened sites in Birmingham and east London. The company, which has 1,600 outlets worldwide, plans to open up to 50 outlets in the UK and challenge KFC's market share.

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Conclusion

Everybody is looking for the next big thing and the restaurant sector is no different. In challenging times, where consumer spending is tight, a break from the norm can be the one thing that lures customers out of their homes and back onto the high street.

Whether it is a new concept, fresh menu, the addition of new technology, such as wi-fi connections or increased marketing (notice the rise in two-for-one offers across the sector), restaurants need to move forward to continue to grow – standing still equals going stale.

The lines between pubs and restaurants are becoming increasingly blurred, with reliable service, value for money offers and good quality food – the minimum standard expected in both sectors by consumers. That added “X-factor” a new approach can bring could mean the difference between a good year and going out of business.

While entering the restaurant market has always been a precarious business, launching a new concept is still a risk even for the most established operators. However, those that are prepared to investment in new ideas that capture the consumer’s imagination and spending can reap the short and long term rewards.

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