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Global Foodservice Trends and Outlook

From Subject Matter Expert, David Henkes, Senior Principal

Globally, the foodservice industry has rebounded from the effects of the pandemic and has shown resilience, even as growing headwinds start to impact the global consumer. Understanding broader dynamics can help foodservice companies in the U.S. better compete by focusing on global demands and trends.



The global foodservice industry (as measured by the 25 markets Technomic tracks around the world) accounts for US\$3.6 trillion on consumer spending. While the U.S. is the largest single market, more than 75% of total industry sales come from outside the borders of the U.S., and the robust recovery, growth and investment that Technomic is seeing across other markets is something that savvy companies operating in the U.S. should be watching.

This is true in terms of technological evolution, changing consumer demands, the role of sustainability, new chains to watch and possibility for international influences to take hold in the U.S.

An industry recovering

Globally, the foodservice industry will grow 16.5% in 2023, reaching a value of US\$3.6 trillion. The overall value has surpassed 2019 levels, and the industry can be considered fully recovered (at least in value) from the effects of the pandemic.

However, inflation and higher menu prices have caused a surge in the measured value, as consumer spending has absorbed significantly higher prices. Still, real growth (excluding inflation) will be more than 7% globally in 2023.

All parts of the industry have recovered, with restaurants increasing 16% across the globe in 2023, hotels increasing 31% (particularly as travel has returned) and

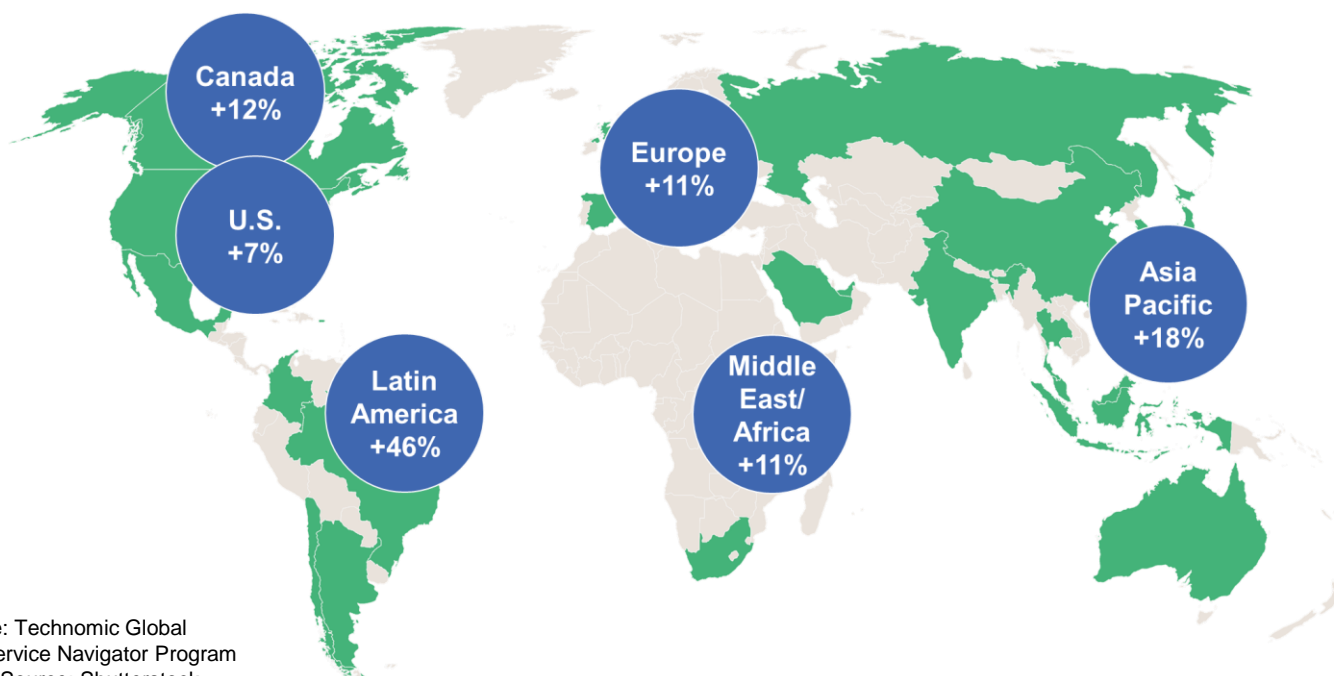
retail foodservice, including c-stores and other retail operators, increasing 9%.

Chains are key drivers of growth

Chain restaurant operators have been a big reason for industry recovery and index well above industry growth across markets tracked by Technomic. With chain operators' size, scope, financial security and ability to invest, they've been more able to rapidly pivot to take advantage of changing dynamics—chief among them being delivery, takeaway and the growth of new technologies.

The following page explores some details on the global chain restaurant market and the success of various chain categories.

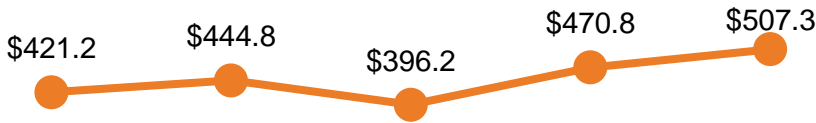
FOODSERVICE INDUSTRY IN 2023 GLOBAL CHANGE IN SALES (IN LOCAL CURRENCY)



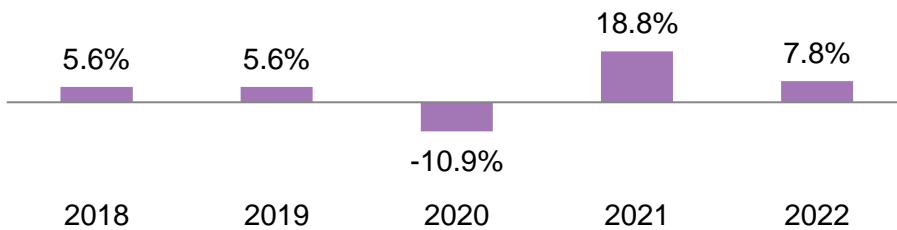
Source: Technomic Global Foodservice Navigator Program
Image Source: Shutterstock

Key Stats on the Global Chain Market

GLOBAL 150 CHAINS: TOTAL SALES (\$B)



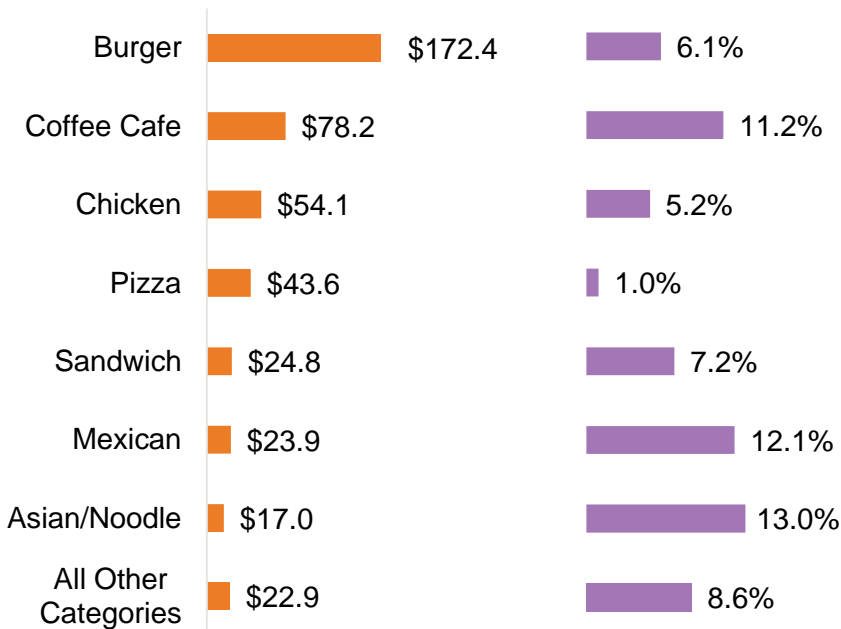
GLOBAL 150 CHAINS: ANNUAL SALES CHANGE



The Global 150 chains represent \$507 billion in consumer spending in 2022. Sales from top chains are fully recovered and higher than they were in 2019.

2022 MENU CATEGORY SALES (\$B)

2022 MENU CATEGORY ANNUAL SALES CHANGE



The coffee, Asian and Mexican segments are key global menu categories that consumers are increasingly clamoring for. But burger chains remain the top segment for consumer spending.

Source: Technomic 2023 Global 150 Chain Restaurant Report

Note: All sales figures in USD; All other categories includes frozen desserts, bakery-cafe, other beverage/snack and seafood

LEADING U.S.-BASED GLOBAL CHAINS

Chain	2022 Global Sales (US\$B)	2021-2022 Growth
McDonald's	\$118.2	5.1%
Starbucks	\$48.1	9.5%
KFC	\$31.1	-0.8%
Burger King	\$25.5	8.7%
Domino's	\$17.5	-1.3%
Subway	\$15.6	6.0%
Taco Bell	\$14.7	10.3%
Wendy's	\$13.3	6.3%
Pizza Hut	\$12.9	-0.8%
Dunkin'	\$12.5	9.2%

The top 10 global chains are all U.S.-based QSR operators. However, there are a number of emerging chains that are growing across the globe that are based outside the U.S.

LEADING CHAINS BASED OUTSIDE U.S.

Chain Name	2022 Global Sales (US\$B)	2021-2022 Growth
Tim Hortons	\$7.2	9.8%
Haidilao Hot Pot	\$4.6	-22.9%
Mitchells & Butlers	\$2.8	101.4%
Paris Baguette	\$2.8	12.9%
Jollibee	\$2.6	38.8%
Cafe Amazon	\$2.4	54.3%
Wetherspoon	\$2.3	124.5%
Akindo Sushiro	\$2.3	16.8%
Costa Coffee	\$2.0	3.4%
Sukiya	\$2.0	9.1%

Source: Technomic 2023 Global 150 Chain Restaurant Report
 Note: All sales figures in USD

Trends and Issues to Monitor

The global foodservice industry has rebounded and remains a key part of the consumer lifestyle throughout different parts of the globe. Going forward, these are key trends and issues that will increasingly impact the global industry (and are having an effect here in the U.S. as well).

Global uncertainty

The war in Ukraine, coupled with renewed fighting in the Middle East, has created a great deal of uncertainty and has exacerbated existing economic challenges. Supply chains, inflation, economic slowdown and consumer uncertainty will play a role in the growth outlook for foodservice going forward.

Moderating inflation

Inflation has been at 30-year highs throughout many parts of the world, driving sales higher but creating value issues in the minds of the consumer. Expectations for an easing of pricing pressures is expected for 2024. Still, consumers have been re-evaluating their overall spending patterns as prices have gone up across the board, making foodservice less attractive relative to dining at home.

Importantly, inflation has been particularly intense in Latin America. Many of the region's economies have long histories of hyperinflation that have devalued consumers' savings and create growth rates that appear stronger than they actually are.

Operators feeling the pinch

Higher prices—not only in food, but in labor and other inputs—have had a negative impact on operator profitability. Cost challenges are significant and, with the consumer reaching a breaking

point, operators will find it harder to pass along price increases.

Technology taking a front row

Tech investment, particularly front-of-house technology, has been enhancing the guest experience and can be seen across the globe. Ordering and payment technologies, artificial intelligence and automated makelines (among others) have helped to redeploy labor and create a more efficient, seamless experience for the guest.





Return to sustainability

Consumer demand for environmentally friendly, green solutions is intensifying. Consumers are asking for more sustainable initiatives; globally, 60% of consumers consider social responsibility and sustainability when deciding on where to visit. This continues to be manifested most often in packaging, particularly as regulations in many parts of the world continue to restrict the types of packaging available. In fact, packaging is likely the front line and visible face of sustainability, even as companies invest in other green technologies, energy- and waste-savings, carbon-reduced (or neutral) menus and LEED-certified building. Asia appears to be leading the way, with a number of countries there rating

sustainability very high in their desire for sustainable foodservice initiatives, including the Philippines, Indonesia, India and Thailand.

Shifts to value and/or premium but away from the “middle”

As prices rise, consumers are more frequently gravitating toward one extreme or the other. Higher-end consumers remain focused on the experience and are less price-sensitive, but other consumers feel the need to find value offerings as they dine out. This dynamic suggests that there will be less future demand for offerings in the “middle.”

Innovation is back on menus

As core menus tighten up and items get removed from the

middle, innovation is necessary to create excitement and draw in consumers. Technomic’s menu data shows that menu innovation has returned to the global restaurant industry. The average chain tracked across 25 markets has introduced nearly 19 items in the last year (either new or LTO menu items); this has started to moderate but is still a figure greater than in 2022 and 2021, indicating that restaurants are working on developing new ways to appeal to consumers and drive incremental traffic. Interestingly, the U.K., Japan and China have been leaders in seeing chain new product innovation and introductions.

Off-premise deceleration

During the pandemic, off-premise initiatives skyrocketed, leading to significant growth in areas such as takeaway, delivery and drive-thru. As more normalcy has returned over the past several years, there has been a flattening in growth of takeaway and delivery. Although, importantly, these areas have not seen sales declines.

The one area that is likely to continue to accelerate is drive-thru. Globally, this is a service area that is underdeveloped, but there have been initiatives, particularly in Asia and the Middle East, to generate additional sales here.

Outlook and Considerations for Growth

The global foodservice industry has survived massive disruption and changing consumer needs, as well as undergoing rapid growth as the global consumer desires a return to “normal.” At the same time, however, tremendous new pressures have created a perfect storm of challenges that have continued to create an environment that is less profitable and more uncertain. Despite this, Technomic remains bullish on the longer-term outlook for the global foodservice industry. The release of pent-up demand shows how important consumers consider hospitality and foodservice, and they will continue to visit even as many of these economic and geopolitical issues remain.

In fact, consumers remain generally positive and are often more bullish on their foodservice patronage outside the U.S. than here domestically. The only markets that show a net negative expected change are the U.K., Australia and Japan, but we expect growth in those markets despite somewhat lower ratings. Overall, Technomic is forecasting a

global growth in consumer spending of 9.3% in 2024. Stripping out inflation, this indicates a “real” growth rate of 4.0%.

There are key considerations for all players serving the industry to bear in mind in order to maintain the momentum that this recovery has offered.

1

With cost increases so prevalent, **value creation is paramount**. Many operators are less worried about food cost percentages and just trying to maintain actual cash margins. Promoting higher-yield items and products that have wide applicability across the menu should be a focus, as well as emphasizing the actual margin earned, rather than just focusing on the food cost.

2

Labor remains a primary need in just about every market and is true for nearly every company serving foodservice. **Labor-savings solutions remain critical**; this includes ways to reduce back-of-house prep, but it may also include

ways to ease front-of-house labor as well (i.e., technology solutions).

3

Continue to tout “local” as much and often as possible.

Local products are likely to gain even more popularity, not only due to sustainability demands, but also as a result of supply and transport issues. Broader sustainability initiatives are increasingly table stakes for the foodservice industry. Local can be challenging in some markets, so it’s important to understand differences in how consumers define this and what they are actually looking for.

4

Anticipate deceleration in 2024.

While the recent past has seen significant revenue surges, this is likely to slow as elevated prices on restaurant meals, fuel, groceries and other items start to impact consumer behavior. Plan accordingly for slower growth and some “reset” of demand. Note that this does not mean the industry will decline, but indicators show slower growth ahead.



Technomic®

Since 1966, we have produced in-depth research focused on the foodservice industry.

We provide insights into consumer, industry and menu trends in the U.S., Canada and 23 countries around the world. Our team of experts helps leaders in the industry make complex business decisions, set strategy and stay ahead of the curve.