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Ones To Watch

November 2019

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Introduction

The foodservice world is constantly changing. New types of offers from small-scale, fast-growing operators bring innovation to consumers and drive change throughout the industry, reflecting and affecting consumer tastes now and into the future. These change leaders provide new opportunities for suppliers, operators, distributors and investors, often growing organically, through franchising, external investment or acquisition by larger foodservice organisations. These **Ones To Watch** are tomorrow's leading operator brands.

Ones To Watch brands are initially identified through my Key Brands_dataset of over 4,000 operator brands which tracks the lifecycle of brands as they emerge on to the foodservice landscape, experience growth, or decline. The criteria applied to identify brands for inclusion in Ones To Watch are that they:

- Have between 5 and 25 outlets (excluding trucks)
- Are experiencing outlet growth rates of at least 20% over the previous 3 years
- Are defined as being in the Restaurant and Quick Service sectors

These criteria indicate that a brand has an outlet base significantly large enough to establish that it has been able to overcome the various launch and initial growth phase challenges. They also suggest that the brand's revenue and customer bases are sufficiently developed to have the ingredients necessary for long term survival and growth.

Additionally, there are brands whose outlet base is currently too small to satisfy inclusion as a Ones To Watch brand, but which are already exhibiting signs that they are likely to warrant inclusion in the future. These brands are included in the **Bubbling Under** section. By their nature of being small-scale brands, which can appear and disappear rapidly from the high street, this list does not attempt to be exhaustive.

Notes

The brands listed as **Ones To Watch** and **Bubbling Under** are available in additional Excel datasets.

A note on “graduates”:

- **Ones To Watch graduates** are brands which exceed 25 units having been in the list in the last period.
- **Bubbling Under graduates** are brands of at least 5 units growing at 20% or more over the last 3 years.

Outlet numbers are accurate as at 1st November 2019. New openings/closures may have occurred between this date and the release of the report. These will be included in the next report, due for release in May 2020.

Operator websites are the primary source of outlet data. Occasional inaccuracies may occur where company websites are not regularly updated.

Please contact me for further discussion of any of the topics raised in this report – or for additional information about the brands listed including their strategies and ownership.

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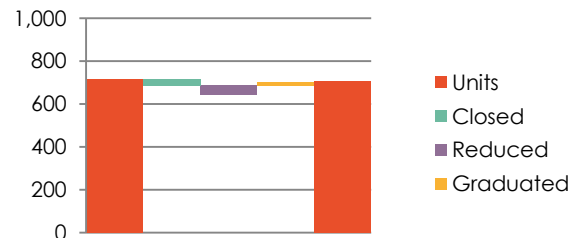
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Some overall takeaways

- **The decline** of Ones To Watch that started in 2016 **has halted**
- The **number of brands has grown** but the number of outlets has remained stable since the average number of outlets in each brand has fallen
- The good news has been the graduation of **Black Sheep, Chatime** and **Ground Coffee**, all of which now exceed the 25 unit threshold
- Notably, these brands are **coffee or tea-based QSR offers** which give an indication of where growth is being found in today's market
- The list of **Bubbling Under brands is showing similar** growth and sector characteristics
- **Investment and growth opportunities** in the Ones To Watch cohort **are beginning to show promise once again**

- The current number of **Bubbling Under brands and outlets is broadly stable**
- In May 2019, 313 brands operated **715** units - the **comparable figures** this time are 299 brands and **708** units
- This hides **a loss of 11 brands** that operated 24 units but closed down over the last six months
- The **units operated by a further 25 brands fell** from an aggregate of 73 stores to 39
- The good news is that **23 brands graduated to Ones To Watch**

Departures from Bubbling Under - based on numbers of units: May to November y 2019



Some brand takeaways

- **Crosstown Doughnuts** remained the fastest growing brand in the Ones To Watch list as measured by **percentage growth in outlet numbers**.
- The next fastest growing were:
 - Estabulo Rodizio
 - The Shake Lab
 - Bar & Block equal with Pizza, Pots and Pans
- A notable newcomer alongside Whitbread's Bar & Block is Pizza, Pots and Pans from brewer Charles Wells, perhaps indicating a return of brands from operators with large estates to the Ones To Watch
- Measured by actual **increase in unit numbers** over the last 3 years, the top brand was **Tim Horton's**
- The next brands were:
 - Kokoro
 - Crosstown Doughnuts
 - The Little Dessert Shop



Tim Hortons



Little
Dessert
Shop

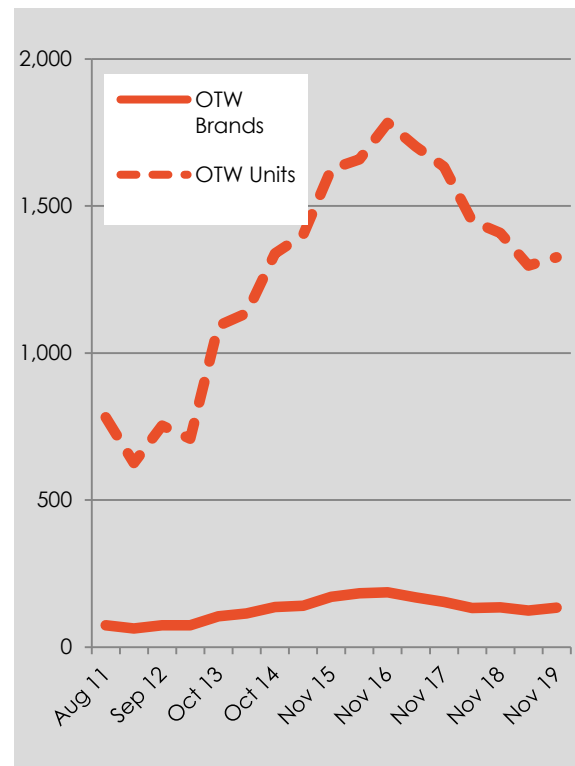
Some cuisine takeaways

- **Coffee** continues to be way ahead of other offers – 21 brands (16% of the total) operating a total of 220 units
- **Small-footprint offers** – such as kiosks, grab and go outlets etc - in the Quick Service sector (a catch-all phrase encompassing fast casual, fast food, food-to-go, street food, and more) are still increasing
- **Casual dining** maintains a strong hold of the brands in Ones To Watch. Italian and Far Eastern cuisine predominate
- **Single product offers** - especially sweet desserts, doughnuts, ice cream etc continue to show signs of vigour
- **Vegan** is still to make its mark, with only one brand in Ones To Watch – but **healthy offers** (often based on Eastern Mediterranean themes) are making inroads



Some market structure takeaways

- The number of stores operated by Ones To Watch increased for the first time in three years although there has been a net fall of 333 Ones To Watch units from a high of 1,659 outlets in May 2016
- The 134 Ones To Watch brands in the most recent period (November 2019) compare with 124 in May but have fallen from the high in May 2016 of 183 – a net fall of 49 brands
- The change in the most recent period (May to November 2019) was driven by:
 - 9 brands that were unable to sustain the pace of growth required to remain in the list
 - 23 newcomers
 - 3 graduates in this most recent period
- The average number of units per brand, at 9.9, was somewhat lower than six months and one year ago



Top performers

Fastest % growth in estate numbers – 2016 – November 2019

Rank	Brand	Type of offer	Estate - Number of outlets				Growth rate (% change in outlet numbers 2016-2019)
			2019	2018	2017	2016	
1	Crosstown Doughnuts	Sweet snacks	20	14	6	2	900%
2	Estabulo Rodizio	Bar and grill	8	7	4	1	700%
3	The Shake Lab	Milk shake QSR	7	7	1	1	600%
4	Bar & Block	Pub restaurant	12	7	2	2	500%
	Pizza, Pots and Pints	Pub restaurant	12	4	3	2	500%
	Humpit Hummus	Healthy quick service	12	4	2	2	500%
	Ahi Poke	Hawaiian	6	5	2	1	500%
	Coffee Lab	Coffee	6	4	2	1	500%
	Maitre Choux	Patisserie	6	3	2	1	500%
	Megan's	Café deli	6	3	2	1	500%
	Shackfuyu	Japanese casual dining	6	2	1	1	500%

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