

NEWS



1 December 2002

PIZZA HOME DELIVERY SET TO BOOM WITH GROWTH OF OVER 100% IN SEVEN YEARS

New research released today reveals that the home delivered pizza market in the UK is expected to more than double in size by 2010 to around £800 million, making it the fastest growing sector in the home delivered / take-away food market.

The research by the Future Foundation, commissioned by Domino's Pizza, identifies social, economic, demographic and technological factors that will continue to drive the success of the sector, also highlighting the challenges and opportunities for the industry up to 2010 and beyond.

The total home delivered food market is set to be worth £1.058bn in 2002, a 56% increase in value since 1997, of which pizza is the single largest category, making up 36%. Home delivery has tightened its grip on the takeaway offer and now accounts for 70% of value in this area, up from 62% in 1997.

Stephen Hemsley, Chief Executive, Domino's Pizza UK & IRL plc comments, "The home-delivery sector has long been under-researched. This report looks at just how valuable the sector is and the potential for growth. It's a very exciting time for pizza home delivery. In the US we saw big increases in the opening of stores and sales for Domino's in the 80s as demand grew and it appears that the UK is set to see a similar evolution of the market. The report sets in context Domino's future. Our expansion plans will allow us to capitalise on these growth opportunities. We provide a quality, highly innovative offer that will satisfy a changing, more demanding consumer and also appeal to a widening customer base."

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Sarah Graham, The Future Foundation, comments, "The home delivered pizza sector in the UK is already performing extremely well and the next decade will see tremendous growth. Changes affecting the whole social and economic make-up of the country will drive this success and those companies who take advantage of these trends will be the household names of 2010."

Factors impacting on success over the next decade include:

Changing demographics

In the short term, the number of 15-24 year olds, a prime segment for all leisure food offers, and home delivery pizzas in particular, will increase. However, in the longer term, they will decrease while the number of older people grows. According to the research, the industry needs to cement brand loyalty amongst a generation of people who have grown up as pizza consumers and will be an increasingly affluent and demanding section of the population.

The research also claims that changing family formation is likely to impact positively on the industry with an increasing number of couples without children and single person households with more disposable income likely to spend on eating out and ordering in.

Increasing disposable income

The research indicates that the health of the eating out and leisure food markets is strongly affected by the strength of the economy and household disposable incomes. The expected real household disposable income (RHDI) increase of 11.8% over the next five years affecting all social classes is likely to present opportunity across the sector. The research suggests that just as those with more money to spend on their free-time will eat out more, equally they will eat more delivered food rather than prepare their own as it has both real and perceived added value to consumers.

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Leisure

participation

The next decade will see an increasing choice and variety of leisure pastimes. Eating out or having food delivered is just one of these competing areas. With the expansion of the market there has been a decline in sales from fish-and-chips and traditional ethnic takeaways. However, the take-away sector (including delivery) has grown with pizza chains doing particularly well. During the next five years the research suggests that spending on take-aways will continue increasing at constant prices by 2.5% a year on average.

Time

pressure

The research shows that, on average, adults in the UK eat out and/or eat delivered/take-away meals around 80 times a year, reflecting the increasing demands on time. Over 60% of the population agree that they feel under time pressures in their daily lives. The experience of eating out or ordering in can represent a way of creating a 'time oasis'.

Consumer

expectations

Consumers are becoming more sophisticated, affluent and consequently more demanding. The research suggests that this means that food providers have to think about ways to excite their consumers whilst also providing a recognisable, high-standard brands that will inspire loyalty. Quality will extend not just to the food that is prepared but also to customer service.

Technology

Over the next five years an increasing section of the population will have access to interactive technologies, up from 70% today to 90%, and the number of broadband users will increase. These people will become more experienced and confident about e-commerce and about buying food online. The research suggests that as ordering online becomes easier and online advertising more accessible, those home food deliverers taking advantage of this area are likely to do particularly well.

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In conclusion, Stephen Hemsley comments, " The results of the research present an exciting and challenging future for the home delivered pizza market. At Domino's we plan to capitalise on the growth of the market as a whole through our own expansion – we aim to have 500 stores by 2006. We believe that we will be able to take advantage of the changing demographic and social situation to offer more affluent, time pressured consumers a quality alternative to a home prepared meal. Our aim is to make pizza the first choice when people order in and Domino's the household favourite."

- END -

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