FAST FOOD INDUSTRY LANDSCAPE REPORT 2015

JULY 2015
The Fast Food Industry Landscape Report (115 pages) provides a dynamic synthesis of primary and secondary research, including extensive interviews with relevant stakeholders and industry experts across the value chain: from retail franchises, to independent outlets, street-food traders, consumers, and leading academics.

For the Global and Local Sections:
- What are the key factors that are driving the growth of the local and global markets?
- What are the local and global industry challenges currently restraining market growth?
- What are the competitive strategies currently being implemented on a local level?

For the Retail Section:
- What were the relevant GMNCF/RF’s overall financial performances for 2014?
- What are their respective footprint and market expansion plans for 2015?
- How are ‘street food’/independent traders able to compete for market share with GMNCF/RF’s?
- What are the future prospects for local retailers in 2015?

In terms of Consumer Insights and Trends:
- What are the local consumption trends between 2009-2014 in the Fast Food industry?
- What factors have contributed to the exponential increase in local consumption?
- What consumer trends are forcing reactive product differentiation strategies?
REPORT OVERVIEW:
PRIMARY RESEARCH INTERVIEWS

Primary interviews with leading GMNCF/RF’s, e.g.:
- King Pie
- Romans Pizza

Primary interviews with street-food vendors and independent outlets, e.g.:
- Miriam’s Kitchen
- Fisherman’s Lane
- Golden Dish

Primary interviews with consumers across all LSM spectrums:
- GMNCF’s/RF’s
- Independent Outlets
- Street-Food consumers
114 page report filled with detailed charts, graphs, tables and insights
MOBILE TECHNOLOGY

- The technology focus for restaurants has made big strides toward mobile platforms. New developments can be seen in ordering, marketing, loyalty programs, and payment. In the U.S., mobile payments are expected to triple to nearly $9 billion in 2015.

GENERATION Z

- Generation Z, the first true digital generation, makes them more impatient than Millennials. Fast service is critical to them. Younger diners also want heightened experiences, louder music, and kinetic visuals.

BEVERAGES

- Whether it’s a handcrafted soda at Starbucks, or a cherry-vanilla-lime cola mashup from a soda fountain machine, beverages are a growing differentiator for operators. The biggest impact on the industry continues to come from the Coca-Cola Freestyle and PepsiCo Spire fountain machines that give consumers hundreds of choices at the touch of a finger.
SAMPLE FROM REPORT:
FORCES AFFECTING LOCAL FAST FOOD INDUSTRY IN 2015

- **Bargaining Power of Buyers**
  - Franchise market power
  - Many Substitute Suppliers
  - Low Operator Brand Loyalty
  - Low Switching Costs

- **Threats of Substitutes**
  - High Product Differentiation
  - Many Local Industry Players
  - Few Global Industry Players
  - Low Switching Costs

- **Bargaining Power of Customers**
  - Fragmented Customer Base
  - Low Average Purchase
  - Consumer Council of SA
  - Promotion of Information Act
  - Rising Segment of Discerning Consumers

- **Potential Entry**
  - Mandatory BEE Regulations
  - Logistics Learning Curve
  - Economies of Scale
  - Growing Industry Consolidation
  - High Initial Capital Outlay

South Africa’s major retailers and big fuel brands are joining forces to create a growing new retail channel with high quality and 24/7 convenience.

According to Nielsen Research statistics, the fuel station forecourt market accounts for around 4% of the country’s retail sector.

Burger King’s deal with Sasol is one of many collaborations between fuel service stations and retailers that is seen as being mutually beneficial as it drives up sales for both parties.

Sasol has already begun the roll-out, with the first phase of Burger King outlets being hosted at service stations across the country.

“It’s a clever way to get a footprint throughout the country without incurring too much capital costs.”

– Jacques Theron, Portfolio Manager at Absa Investments

Source: www.africanmc.org, http://www.iol.co.za
**INDEPENDENT FAST FOOD OUTLETS**

- Fuelled by globalisation and somewhat of a ‘Fast-Food Monoculture’, Independent Fast Food outlets in South Africa are coming under ever-increasing pressure from GMNCF’s (as well as RF’s).

- However despite the ubiquity of such franchises, there is still a burgeoning market for Independent Fast Food Outlets in South Africa. How so? **Our primary research indicates that the answer lies in the pocket and the palette!**

**KEY FINDINGS:**

- **Price** (Value for Money)
- **Niche food** (e.g. Halaal salomi’s; Bunny chow; Gatsby’s)
- **Quality**

**NB: Conviviality:** Our Ethnographic research indicates that many of these establishments are community meeting points, frequented on a daily basis as social gatherings.

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**Customer Interviews:**

- “The Gatsby’s are really good, if you get them on a good day your money is going to be worthwhile. And it’s just a cool spot where everyone hangs out, as you can see its busy here...If you’re eating here in a group (in terms of price) then it’s the best buy. Their prices are very reasonable.” – **Customer at Golden Dish**

- “Because of the price, it’s cheap!” – **Customer at La Peche**

- “McDonalds is a little bit expensive, Nando’s is expensive” – **Customer at Your Lunchbox**
WHY THE EXPONENTIAL INCREASE?

- The increase in fast food consumption in South Africa in 2015 can be attributed to:
  
  - An increase in household income
  - A growth in the black middle class segment
  - An increase of women in the labour force

And more pertinently the penetration of fast food outlets into South African townships and rural areas

- In the next section, we will therefore discuss and analyse this burgeoning trend of the penetration of fast food services into previously disadvantaged parts of South Africa, and how Peri-urban and rural communities constitute a new market for the fast food franchise industry in South Africa.
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- Company website analysis
- Governmental held records
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