



# Hungry for change

BTG Advisory provides comment on how food and beverage (F&B) is in the vanguard of retail's consumer-led transformation, helping to redefine the development of retail-led destinations.

Dining and drinking – more commonly known as food and beverage (F&B) within the retail and catering industries – has not only become pivotal to retail-led destinations, but has also taken on a life of its own with an emerging generation of emporiums and food and drink complexes redefining the way people perceive their social lives.

The rising importance of F&B in retail place-making has been well documented over recent years and, everywhere you look, more – and better – food offerings are appearing in shopping centres and retail schemes across the world. And this has prompted developers and investors to seek out the F&B 'halo effect' of increased footfall, longer dwell times, higher spending and sales growth that all come from a well-executed and appropriate food offering.

This phenomenon is part of a changing global and retail leisure landscape that is undergoing widespread and profound structural change, thanks to macro-demographic trends, advancements in technology, the rise in e-commerce, and changing consumer expectations and shopping habits. One of the most influential of these is the emergence of the 'experience economy' driven by millennials' insatiable appetite for experience, often at the expense of acquiring more possessions.

However, this trend is now touching all age brackets with people across age ranges and affluence levels shifting their spending towards experiences, and it is changing the physical shape and function of the world's retail places. The area taken up by F&B as a proportion of the total space within malls has grown from around 5% a decade ago to more like 10–15% in some European markets, and in some of the newest schemes like Westfield Stratford and Trinity Leeds to nearer 20%. In the US, the average is around 8% and JLL Foodservice Consulting predicts that the norm in Europe and the US will be about 20% of total space by 2025 as consumer spending continues to shift towards F&B. New destination schemes typically have 20–25% of their space allocated to food, with some of the most F&B focused projects in Asia exceeding 40%.

## Next-gen F&B Offers

With this shift has come a new generation of F&B venues that no longer require the retail centre as host. One of the earliest and best-known examples is Eataly. Closer to home, Borough Market has become a firm favourite in London. These food and drink establishments have not only reinvented themselves within malls and high streets, but also stepped beyond to create new, theatrical environments combining food retail, dining and gourmet experiences. A spate of new schemes proposed for London in particular are set to drive this phenomenon further – if the planners will allow.

For anyone not familiar with Eataly, it is a global chain of huge emporiums dedicated to everything to do with Italian food. Indeed, the company has redefined gourmet space, with a mix of Italian grocery, culinary and kitchenware, and a range of eat-in and take-out counters and dining areas set within a theatrical, overtly Italian ambience. The company has adapted the look and feel of each establishment to the individual area and building in which it sets up shop.

Borough Market should need little introduction, itself having been the catalyst for a new genre of foodie and farmers' markets, particularly in London where a fresh wave of schemes are opening, or at least attempting to open.

Ross Kirton, Head of UK Leisure Agency at advisor Colliers International, notes: "We have seen F&B brought centre stage by the likes of Westfield, the Urban Street Festival by Selfridges, and street food attractions such as Trinity Leeds, The London Union Market and so on. That urban feel is becoming increasingly popular."

## Planning Versus Plans

However, new projects have not had the easiest of passages so far. A promised Eataly food hall at Selfridges failed to materialise, although rumours abound that the operator continues to search for a London site. It will be hoping to have better luck than Time Out, the travel and entertainment publishing brand, which has twice had plans declined for a 17-restaurant, four-bar site with 450 covers over four floors at a former Shoreditch stables.

Time Out had announced the plans in October last year, intending to follow in the footsteps of the media organisation's first market, which opened in Lisbon in 2014 and has become the city's most popular tourist destination, attracting 3.1 million visitors last year. After receiving more than 70 written objections, the licensing subcommittee unanimously voted against the London project and although Time Out appealed the decision it failed to win over the planners.

Time Out has also announced plans to open a market in Miami next year and is hoping to open locations in a number of key cities around the world, each featuring a range of locally relevant gourmet food offers. Fulton Market, Chicago, and Porto, Portugal, are in its plans, while the media company is "exploring other cities like New York, Boston and more", according to CEO Julio Bruno.

Jonathan Doughty, Global Head of Foodservice at Germany's largest shopping centre developer, ECE, says he has no doubt that Time Out will find a suitable location and "it will probably land in the top ten tourist sites in London, just like Eataly in New York".

However, he remains concerned that both local authorities and landlords are failing to keep pace with the rapid evolution of the foodservice market and says that planners need to think not just about what people want now but what they will want in the future.

## Schemes Opening in London

A number of other schemes have received assent. An Italian-themed market opened last year in an old paper factory at Elephant and Castle, South London. Mercato Metropolitano has been designed to look like the huge food halls of Turin and Milan and is packed with regional Italian foods made by artisan producers on site. Behind the project is Andrea Rasca, who is also involved with the Eataly concept, and he says of his initiative: "On a social level, we need good and tasty food to share with our friends and family. That is what Mercato Metropolitano offers its customers."

Beyond a range of casual dining and drinking offers, the market also encompasses a Sicilian supermarket with products imported straight from Italy, plus street-food vans on rotation in the garden, a boxing gym, an urban garden, a barber, a cookery school, communal working space, and a cinema room from Backyard Cinema.

To the east of London, Canary Wharf Group has extended its F&B offer with London Union having opened and brought together a host of street food traders as 'Streetopia' on a 10,000 sq ft Crossrail Place Roof Garden site. Introducing an authentic street food experience, London Union houses a variety of cuisines in an informal atmosphere and Camille Waxer, Managing Director, Retail and Chief Administrative Officer, Canary Wharf Group, says: "We are continuing to build and create a dynamic environment that not only offers a wide and diverse range of shopping and leisure destinations, but a place that resonates with the people that visit and live here."

Last year, London Union acquired Street Feast, London's nomadic street food circus, which takes neglected spaces and transforms them into buzzing night markets. Founders Henry Dimbleby (LEON) and Jonathan Downey (Street Feast), plan to develop and grow the model, and to create as many as 20 more permanent street food markets within the next five years. These new concepts are redefining areas, and at Canary Wharf the idea is not simply about complementing the retail offering, but creating a destination for both tourists and business people, plus the increasing residential population.

This September, Japanese food hall Japan Centre opened its new flagship site on Panton Street in London's Soho, relocating from Shaftesbury Avenue. The new 'depachika' (the Japanese word for a basement food hall) is set around a central, 100-cover, dine-in courtyard. As well as the main food hall, the venue has three specialist rooms dedicated to tea, sake and miso; open kitchens; and a live demo kitchen. The food hall offers a wide range of fresh, dry and packed goods, as well as a Japanese bakery; fruit and vegetable stalls; fresh sashimi, fish and meat counters; frozen food; and a homeware section including books, magazines, ceramics, gifts and a gift wrap area.

More projects are set to follow, with the food trend for smaller plates, sharing and informality driving the industry on and enabling established chains and independents to coexist and complement each other. Indeed, the variety of large-scale schemes being put forward reflects a new vibrancy in the sector, predominantly with an urban feel. London remains the main target because of its catchment, tourism, and affluence, but that doesn't mean that other major cities couldn't look at their own alternatives. The key, however, is footfall.

## Development Beyond London

Indeed, London is not the only host city for different F&B approaches. Land Securities pioneered a street van strategy in Leeds, and alongside the Crown Estates is bringing The Alchemist cocktail bar, Cinnamon Kitchen, Polpo, and Pizza Pilgrims to the rooftop garden of Westgate, Oxford, which opened in October 2017, and will include an outlet of The Breakfast Club cafe chain.

Meanwhile, M&G Real Estate and intu have plans for an £11m redevelopment of Halle Square at Manchester Arndale. The 25,000 sq ft space will be rebranded as Halle Place and will deliver a contemporary casual dining destination, including ten restaurants next year and three MSUs. Each restaurant will offer 'al fresco' style seating in the mall area, encircling a suspended public art centrepiece in an open, double-height atrium area.

## The Future of Food

So, are large-scale, informal multi-facet food retail and F&B dining environments the next dominant generation of urban eateries? While they have certainly created a fresh genre, capturing the traditional provenance of the market, but bringing it up to date for a new audience, more evolution is likely.

"We have ended up with these large, choice-filled, curated spaces, because we haven't had them before," says ECE's Jonathan Doughty. "The next generation I believe will involve landlords simply building blank-canvas spaces and then allowing a constant rotation of operators to run them. We're talking about something more akin to an entertainment venue, where different performers appear each night. So not a curated space, but a theatrical space."

His view is supported by the latest innovation from Eataly, which opened a massive food theme park on 15 November in Bologna, Italy – Fico Eataly World – which was promised to be the "world's largest agri-food park", according to Eataly. The Bologna complex includes Italian restaurants and Italian products, but Fico Eataly World will go beyond simply selling Italy's wares to cover the entire breadth of the country's culinary landscape, "from the field to the fork". Essentially, it's the Disney World of Italian food, encompassing more than 20 acres of fields and farmland in Bologna, which will include 40 farming factories where visitors can see how farmers process meat, cheese, pasta, and other Italian goods; 40 restaurants and refreshment spots; and, six "educational rides".

Expect others to take note as various interpretations of the increasing casualisation of dining inspire more ideas and innovations and the UK's retail high streets continue to morph from shopping hubs into a grazing paradise.

## The Brexit Impact

External economic uncertainty is never good news for retailers or F&B operators, as consumers tend to pull in the purse strings first on discretionary spend. While a mobile phone contract is probably seen as essential for most consumers, a new T-shirt or an afternoon latte are easier to forego when employment security or available finance are in doubt. That said, people continue to show every sign that it is products that are more likely to be overlooked than experiences and, while the maturity of the F&B market will probably mean slower expansion for some chains, there are few indications of a more significant drop-off in demand.

It's worth remembering that while metropolitan dwellers might be showing some fatigue over the opening of yet another chain coffee store – which has helped independents to establish a foothold, despite the competitive nature of the market – many regional towns and cities still await their first Costa or Starbucks and in such locations consumers tend to favour these known brands. The ongoing ebb and flow of Brexit negotiations may also cool expansion investment as operators adopt a wait-and-see approach, but right now the F&B sector remains remarkably robust.

## For Further Information

If you would like to discuss any of the issues raised in this update or would like to know further details about the services we provide to the sector, please contact me.



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