2002 Market Research Study on Foodservice Packaging Products:

AN OVERVIEW

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NOTE FROM FPI

The *2002 Market Research Study on Foodservice Packaging Products* is published by the Foodservice & Packaging Institute, Inc. (FPI), solely for distribution to its members. What follows is an overview, provided to non-members interested in the report.

If you would like information on becoming a member of FPI (the only way to receive this one-of-a-kind, nearly 200-page report), please go to the association's Web site at www.fpi.org, or call (703) 538-2800.

PURPOSE

In 2002, FPI published the third wave of its market research study on foodservice packaging products. Previous waves were conducted in 1998 and 2000, and where applicable, 2002 data is compared to 2000 data to show trends. Because the 1998 research was conducted by a different company using alternate methodology, comparisons are not made.

The purpose of each study is to provide the association's members with proprietary market research data on single-use foodservice packaging, derived from interviews with foodservice operators on their current and future purchases of these products, which is validated by interviews with foodservice distributors.

PRODUCTS TRACKED

The report provides information on the following products, broken down by material:

- Beverage Cups (Thick Wall Foam, Thin Wall Foam, Plastic, Hot Paper, Cold Paper)
- Lids for Beverage Cups (Plastic, Foam)
- Domes for Cups & Containers (Plastic)
- Beverage Carriers (Foam, Pulp, Foldable Paper)
- Portion Cups (Plastic, Paper)
- Food Containers (Foam Hinged, Plastic Hinged, One Piece Paper, Two Piece Plastic, Aluminum Foil)
- Plates, Platters or Bowls (Foam, Plastic, Paper/Pulp)
- Plastic Cutlery
- Foam Cafeteria Trays

THE SAMPLE

I. Operator Interviews

This study was conducted among 1600 foodservice operators, who had purchase or ordering responsibility for single-use foodservice packaging products. The obtained samples were distributed as follows:

1100 Commercial operations, defined as those that are open to the public and serve food for profits, such as restaurants and convenience stores. The sample included:

500 Full Menu Operations

Defined as providing full menus and wait service, broken down by…

Operation:
- 130 Chain restaurants
- 270 Independent restaurants
- 100 Others (e.g. hotels, clubs, in-store, etc.)

Check Size:
- 139 Value scale (under $8.99)
- 169 Mid-scale ($9.00 to $14.49)
- 173 Up-scale (over $14.50)

440 Quick Serve Operations

Defined as providing limited menus generally without wait staff, broken down by…

Operation:
- 280 National QSR chains
- 160 Regional chains and independents

Menu Specialty:
- 194 Hamburger
- 246 Other

160 Convenience Stores

Broken down by…

Operation:
- 93 Chain/Franchise
- 67 Independent

500 **Non-commercial operations**, defined as those that do not have direct public access, such as schools, health care facilities and on-site business dining facilities. The sample was further broken down by…

Segment
204 Nursing Homes (nursing homes, life-care and retirement)
94 Hospitals (government, private and not-for-profit)
65 School Districts (elementary and secondary)
48 Colleges/Universities/Technical Schools (2 and 4 year)
40 Individual Schools (public and private; elementary and secondary)
26 Employee Feeders
23 Others (correctional facilities, in-flight/in-transit, military and others)

Operation:
135 Contract/Catered
365 Self Operated

II. Distributor Interviews

This study was conducted among 200 foodservice distributors, who sell foodservice packaging products. The obtained sample were distributed as follows:

120 **Broadline Distributors**

36 **Equipment & Supplies Dealers**

32 **Paper Jobbers**

12 **Specialty Distributors**
(e.g. Systems Distributors, Bar Supply, Warehouse Clubs, Janitorial Supply)

2002 QUESTIONNAIRE

The 2002 questionnaire used with foodservice operators and distributors included the following items:

- Incidence of use and weekly item usage for nine product categories (for operators) *– Incidence of use data is included in this "Overview" document.*

- Incidence of carrying and monthly case volume for nine product categories (for distributors) *– Incidence of carrying data is included in this "Overview" document.*

- Type of distributor from whom most foodservice packaging products were purchased (for operators only) *– highlights from this section are included in this "Overview" document.*

- Increase or decrease in the quantity of foodservice packaging products purchased (for operators) or sold (for distributors) in the PAST 12 months, by what percent increase or decrease, and reasons for the increase or decrease *– highlights from this section are included in this "Overview" document.*

- Estimated increase or decrease in the quantity of foodservice packaging products purchased (for operators) or sold (for distributors) in the NEXT 12 months, by what percent increase or decrease, and reasons for the increase or decrease *– highlights from this section are included in this "Overview" document.*

- Anticipated switching in material types used (for operators) or sold (for distributors), and reasons for the switch *– highlights from this section are included in this "Overview" document.*

2002 INCIDENCE OF USE (for Operators) & INCIDENCE OF CARRYING (for Distributors)

	Operators' Incidence of Use		Distributors' Incidence of Carrying
BEVERAGE CUPS	**93.1%**		**98.5%**
Plastic	31.0%		77.0%
Total Paper	48.9%		70.5%
Hot Paper	28.9%		61.0%
Cold Paper	39.4%		67.0%
Total Foam	68.8%		90.5%
Thick Wall Foam	39.2%		59.0%
Thin Wall Foam	32.5%		46.0%
LIDS FOR BEVERAGE CUPS	**79.9%**		**94.5%**
Plastic	79.5%		91.5%
Foam	1.8%		24.5%
BEVERAGE CARRIERS	**32.8%**		**49.5%**
Foam	2.8%		3.0%
Pulp	12.1%		36.0%
Paper	19.5%		20.0%
PLASTIC DOMES FOR CUPS/CONTAINERS	**29.3%**		**60.5%**
Domes for Cups	12.1%		52.5%
Domes for Containers	21.8%		34.0%
PORTION CUPS	**64.1%**		**84.5%**
Plastic	53.1%		80.0%
Paper	16.1%		44.0%

2002 INCIDENCE OF USE (for Operators) & INCIDENCE OF CARRYING (for Distributors)

(Continued)

	Operators' Incidence of Use		Distributors' Incidence of Carrying
FOOD CONTAINERS	**79.6%**		**89.0%**
Two Piece Plastic	16.6%		38.5%
One Piece Paper	27.8%		51.0%
Aluminum Foil	12.1%		33.3%
Total Hinged Clamshell	56.9%		84.0%
Foam	46.1%		75.5%
Plastic	19.5%		53.5%
PLATES, PLATTERS & BOWLS	**53.1%**		**86.0%**
Foam	33.4%		71.0%
Plastic	14.5%		48.0%
Paper or Pulp	10.1%		45.0%
PLASTIC CUTLERY	**80.3%**		**92.0%**
FOAM CAFETERIA TRAYS	**9.4%**		**34.5%**

[The full report also provides operators' incidence data for 2000.]

OPERATORS' PURCHASE SOURCES

- While the full line distributor remains dominant, there has been no growth in their position as suppliers of foodservice packaging products between 2000 and 2002.
- However, there has been some growth in the traditional paper jobber and company commissaries as foodservice packaging suppliers. This growth has come from a broad range of sources including the full line distributor and warehouse clubs.

[The full report breaks down further this information by operators' market segment and compares to 2000 data.]

OPERATORS'
PAST AND NEXT YEAR PURCHASES

By Segment…

- Just over one quarter of all operators surveyed said their foodservice packaging purchases increased in the past year, on average by 12.4 percent. Less than 10 percent of operators said their purchases decreased, on average of 14.8 percent. This means a net increase – or growth – in foodservice packaging purchased of 2.2 percent in the past year. This is lower than the net increase reported in the 2000 study of 3.1 percent.

- Over one third of all operators surveyed said they expect their foodservice packaging purchases to increase in the next year, on average by 12.3 percent. Only 3.1 percent of operators said they expect their purchases to decrease, on average of 11.8 percent. This means a net increase – or growth – in expected foodservice packaging purchases in the next year of 4.0 percent. This is just slightly lower than the net increase reported in the 2000 study of 4.6 percent.

- The top reasons given for expected future increases in foodservice packaging purchases by operators include:
  - Non-commercial and Full menu: "business / customer market growth"
  - QSRs and C-stores: "trend to single-use packaging"

By Region…

- The operators in the West had the highest net increase for the past year (2.7 percent), and operators in the South expect the highest in the next year (4.4 percent).
- The three top reasons for increased purchases were trend to single-use packaging; business/customer market growth; and increased take out.

[The full report also provides:
- *Further break down by type of operation and region;*
- *Comparison to 2000 data; and*
- *Reasons for future purchase decreases and no changes.]*

DISTRIBUTORS'
PAST AND NEXT YEAR SHIPMENTS

By Segment…

- Foodservice packaging buyers reported a net past year increase in product shipments of 5.1 percent and expect a net next year increase of 7.7 percent.

- Broadline distributors reported better past year increases (5.6 percent) and higher next year expectations (9.3 percent) than did other distributor types.

- The major reasons given for expecting growth in foodservice packaging shipments focused more on the distributor activity, as opposed to market conditions. These distributor activities were:
  - New business / market growth 53%
  - Marketing and merchandising 23%
  - Company growth 11%

- The market conditions mentioned for expecting growth were:
  - Packaging sales increasing 41%
  - Back to normal after September 11 6%
  - New / innovative / better products 3%

By Region…

- The distributors in the Northeast had the highest net increase for the past year (6.8 percent), and distributors in the West expect the highest in the next year (10.2 percent).

- The three top reasons for increased shipments were new business/market growth; increasing foodservice packaging sales; and marketing and merchandising.

[The full report also provides:
- *Further break down by type of distributor and region;*
- *Reasons for future shipments decreases.]*

MATERIAL TYPE SWITCHING

From Operators…

The 1600 operators interviewed were asked if they expected to switch type of foodservice packaging used in the next year or so. In 2002…

- 37 operators surveyed said they would use more plastic foodservice packaging products.
- 12 operators surveyed said they would use more foam foodservice packaging products.
- 23 operators surveyed said they would use more paper foodservice packaging products.
- 5 operators surveyed said they would use more "alternative material" foodservice packaging products.
- 3 operators surveyed said they would use more aluminum foodservice packaging products.

[The full report details from which market segment these operators indicated material type switching, which materials they would be using less of, and why. 2002 data is also compared to 2000 data.]

From Distributors…

The 200 distributors were asked if they expected their customers to switch type of foodservice packaging ordered in the next year or so. In 2002…

- 21 distributors surveyed said they expected their customers to order more plastic foodservice packaging products.
- 15 distributors surveyed said they expected their customers to order more foam foodservice packaging products.
- 11 distributors surveyed said they expected their customers to order more paper foodservice packaging products.
- 5 distributors surveyed said they expected their customers to order more "alternative material" foodservice packaging products.
- 1 distributor surveyed said he/she expected his/her customers to order more aluminum foodservice packaging products.

[The full report details which materials the distributors would expect their customers to order less of, and why.]

PRODUCT INCIDENCE AND VOLUME – DETAILED DATA TABLES

Below is an example of a "Product Incidence and Volume – Detailed Data Table," of which the report contains over 150 pages.

[PRODUCT CATEGORY NAME]

Convenience Store Operations

By TYPE OF OPERATION

	TOTAL		TYPE OF OPERATION			
			Chain Franchise		Independent	
	2000	2002	2000	2002	2000	2002
TOTAL [PRODUCT CATEGORY NAME]						
[1]Percent Using	**61.9%**	53.1%	**58.1%**	52.4%	67.2%	54.1%
[2]Unit Volume (000,000)	**606.3**	553.1	**340.1**	315.7	266.2	237.4
Share of [PRODUCT CATEGORY]	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Share of Volume	100.0%	100.0%	56.1%	57.1%	43.9%	42.9%
[INDIVIDUAL PRODUCT NAME, BY MATERIAL]						
Percent Using	17.5%	13.8%	20.4%	14.0%	13.4%	13.4%
Unit Volume (000,000)	64.4	62.5	35.0	36.8	29.4	25.6
[3]Share of [PRODUCT CATEGORY]	**10.6%**	11.3%	**10.3%**	11.7%	11.1%	10.8%
[4]Share of Volume	100.0%	100.0%	**54.4%**	59.0%	**45.6%**	41.0%

[1] **Percent Using:** This is the percent of convenience store respondents who said their operation used [product]. Thus, in 2000, 61.9% of all c-store respondents and 58.1% of chain/franchise c-store respondents said they used [product].

[2] **Unit Volume:** This is the total number of units used, expressed in millions of units. Thus, in 2000 convenience stores are projected to have used 606.3 million [products] and chain/franchise operators are projected to have used 340.1 million [products].

[3] **Share of [Product]:** This is the percent of all [product] used in convenience stores. Thus, in 2000 [product] accounted for 10.6% of all [products] used in convenience stores and 10.3% of all [products] used in chain/franchise convenience stores.

[4] **Share of Volume:** This is the percent of units accounted for by type of operation. Thus chain/franchise convenience stores account for 54.4% of [products] while independents account for 45.6% of [products].