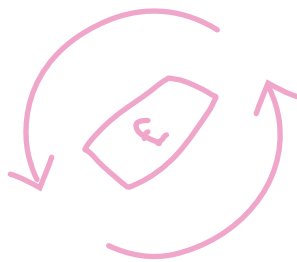




September 2024

Circular Economy



In the food service industry

Introduction

The food and drink industry are undergoing a profound transformation, driven by the principles of the circular economy. This report examines the far-reaching implications of this shift, particularly within food service across the **dine-out** and **takeaway sectors**, where sustainability initiatives are redefining business practices and consumer expectations.

We explore how businesses are balancing the imperative for sustainability with the practical challenges of implementation, and how this balance is perceived by consumers across different demographics. This research is conducted from Vypr's product intelligence platform, **leveraging a proprietary community of over 80,000 UK consumers** to better understand consumer expectations

In the following sections, we'll explore **sustainable packaging solutions, digital ordering optimisation, and circular supply chains**. This report guides you to making informed decisions that resonate with today's sustainability-driven consumers.

In Brief

Embracing Sustainability: The food and drink industry is actively transitioning towards a circular economy, prioritising waste reduction, resource efficiency, and sustainable closed-loop systems. This section examines the impact of these initiatives on consumer choices within the takeaway and dine out sectors, highlighting how sustainability is reshaping the industry.

Consumer Response and Market Trends: As sustainability becomes a central concern, this analysis reveals varied consumer willingness to change behaviours and pay premiums for greener options, reflecting a broad spectrum of attitudes across different demographics. The document explores the generational divide in engagement and the specific sustainability initiatives that resonate with consumers.

Strategic Industry Insights: Detailed insights into consumer attitudes towards sustainable packaging, food waste reduction, and energy efficiencies are discussed to provide actionable intelligence for industry leaders. This section aims to guide sustainable strategy formulation that aligns with evolving consumer expectations.

Framework for Action: We will also look at strategic frameworks for integrating sustainability deeper into product development, marketing, and corporate strategy. It underscores the need for businesses to adapt to a market increasingly driven by environmental and ethical considerations, offering a roadmap for thriving in a sustainably conscious consumer landscape.

Takeaway Sector: Sustainable Packaging Solutions

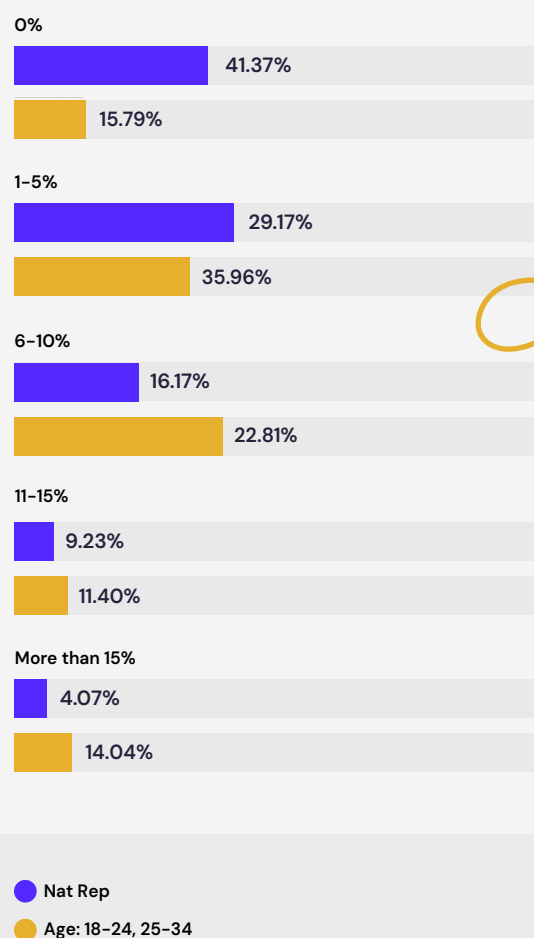
The takeaway sector is seeing a significant push towards more sustainable packaging options. Our data reveals strong consumer interest in this area, but also highlights some challenges.

Consumer Attitudes: Sustainable packaging is important to a significant majority of consumers when ordering takeaway food, with 67% considering it important. Only a small minority (12%) don't think it's important.

Packaging Preferences: Recyclable materials are the preferred sustainable packaging solution for 43% of consumers, while 36% prefer biodegradable containers or compostable packaging.

Price Sensitivity: While 59% of consumers would be willing to pay extra for sustainable packaging, there's a clear limit to this willingness. Up to 10% more was deemed reasonable by 45% of consumers. However, 41% are not willing to pay more, with this percentage increasing to 58% for those over 45 and decreasing to 20% for those under 45.

How much more are you willing to pay for products with sustainable packaging?



Purchase Influence: Sustainable packaging has a strong influence on consumer choice, with 49% of consumers very likely to choose a takeaway that offers sustainable packaging over one that doesn't. This preference is even stronger among Gen Z and Millennials, increasing to 68% for this demographic.

Incentives:

- A loyalty program (earning points for using/returning reusable containers) was the most popular reusable takeaway system initiative, with 31% of consumers choosing this.
- Gen Z and Millennials showed strong interest in subscription services for unlimited container use.

These findings indicate that sustainable packaging is a significant factor in consumer choice for takeaways, particularly among younger demographics. However, the industry needs to be mindful of price sensitivity, especially among older consumers.



Takeaway Sector: Digital Ordering Optimisation

The use of AI and data analytics in takeaway operations presents opportunities for improving efficiency and reducing waste. Our data shows growing consumer acceptance of these technologies.

Digital Adoption: The use of digital platforms for ordering takeaways is widespread, with 84% of consumers using these platforms. This adoption is even higher among Gen Z and Millennial consumers, reaching 98%.

AI Trust: There's growing trust in AI technology for takeaway ordering, with 41% of consumers trusting AI to accurately process their order. This trust is significantly higher among Gen Z and Millennial consumers, reaching 64%.

AI Feature Preferences: The most desired AI-driven feature is accurate order completion time estimates, with 40% of consumers highlighting this as their top choice. Younger consumers show more interest in features like customised portion sizes to reduce food waste and personalised menu recommendations.

Data Usage Acceptance: Consumers are generally comfortable with takeaway restaurants using order history data to optimise menus and reduce food waste, with only 5% expressing strong discomfort with this practice.

Which of the following AI-driven features would most improve your takeaway ordering experience?

Accurate order completion time estimates



Customised portion sizes to reduce food waste



Personalised menu recommendations



Automated reordering of favourite meals



Dietary restriction and allergy filters

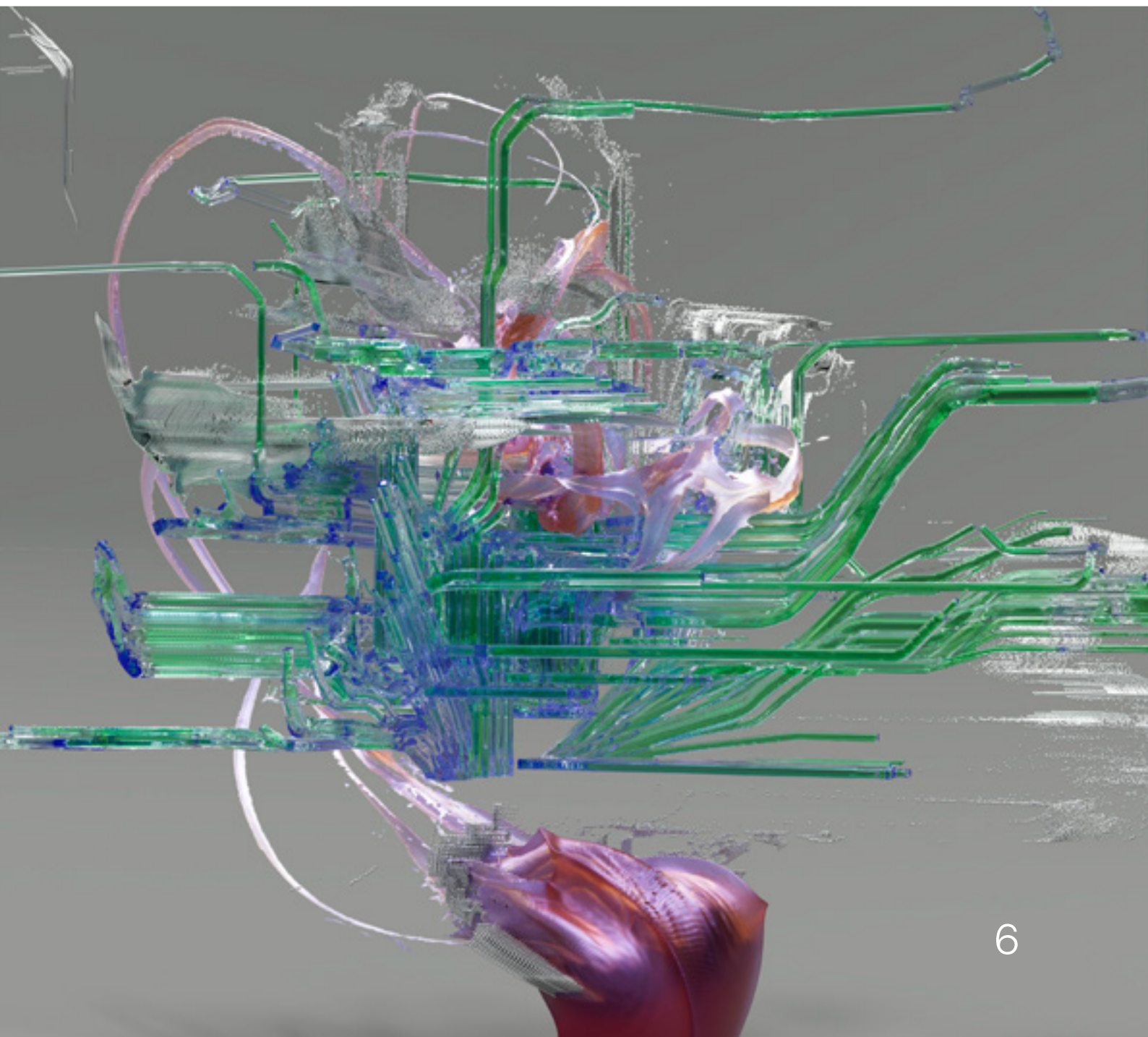


Smart upselling of complementary items



Sustainability Communication Impact: Open communication about the use of AI to reduce food waste positively influences consumer choice, with 50% of consumers more likely to order from a takeaway restaurant that communicates this. This impact is even stronger among Gen Z and Millennial consumers, increasing to 71%.

These findings suggest that consumers, especially younger demographics, are increasingly comfortable with and supportive of AI and data-driven solutions in the takeaway sector, particularly when they contribute to sustainability goals.



Takeaway Sector: Circular Supply Chains

Partnerships with local suppliers and the implementation of closed-loop systems for ingredients and packaging are becoming increasingly valued in the takeaway sector. Our research indicates a strong consumer interest in these sustainability initiatives.

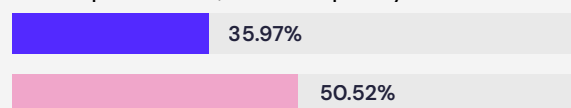
Local Sourcing: Approximately 68% of consumers believe that sourcing ingredients from local suppliers is important for takeaway restaurants, with 27% considering it very important.

Willingness to Pay: Around 65% of consumers are willing to pay more for takeaways that use locally sourced and sustainable ingredients, with this figure rising to 85% among Gen Z and Millennial consumers. Most consumers find a premium of less than 10% acceptable.

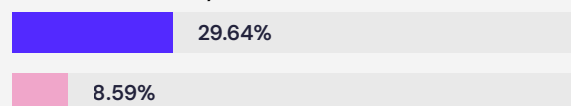
Impact on Choice: A significant 70% of consumers state that a takeaway restaurant's commitment to circular supply chains would influence their decision to order, increasing to 91% among younger consumers.

To what extent does a takeaway restaurant's commitment to circular supply chains influence your decision to order there?

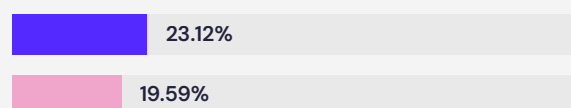
It's an important factor, but not the primary one



It doesn't influence my decision at all



It's a minor factor



It's a primary factor in my decision



● Nat Rep
● Age: 18-24, 25-34

Preferred Initiatives: The top circular supply chain initiatives that would increase customer loyalty include partnering with local farms for ingredients (38%), creatively using byproducts or 'ugly' produce (20%), and implementing a closed-loop recycling system for packaging (19%).

Consumer Interest: Over half of the consumers, 52%, are interested in learning about a takeaway restaurant's circular supply chain initiatives, with interest increasing to 65% among Gen Z and Millennial consumers.

These findings indicate that circular supply chain initiatives, particularly those involving local sourcing and creative use of ingredients, can significantly influence consumer choice and loyalty in the takeaway sector.



Takeaway Sector: Sector Insights



Changing consumer habits reflect a growing awareness of sustainability issues, significantly influenced by the circular economy principles.

- **Changing Habits:** 57% percent of UK consumers indicate that their takeaway ordering habits have evolved over the last year due to increased sustainability awareness. This number rises to 85% among Gen Z and Millennial consumers.
- **Key Sustainability:** Considerations: When ordering takeaway food, the top considerations include food waste reduction (31%), locally sourced ingredients (28%), and sustainable packaging (26%).
- **Communication Preferences:** Digital channels are the preferred method for learning about sustainability initiatives for most consumers, although 23% still prefer information via packaging or in the takeaway bag.
- **Willingness to Change:** More than half of the consumers, 55%, are willing to modify their takeaway habits to support more sustainable practices, increasing to 65% among younger generations.

These general insights highlight the growing importance of sustainability in shaping consumer behaviour in the takeaway sector, with younger generations showing particularly high engagement with circular economy principles.

Dine Out Sector: Food Upcycling

The emerging trend of food upcycling in the dine-out sector demonstrates creative use of typically discarded food parts, with growing consumer interest but also highlighting the need for further education.

Awareness: Sixty-five percent of UK consumers are not familiar with food upcycling at restaurants, though awareness is notably higher, at 68%, among Gen Z and Millennial consumers.

Consumer Interest: Nearly half of the consumers, 49%, are interested in trying menu items that incorporate upcycled food ingredients such as fruit pulp from juicing and vegetable peels.

Impact on Choice: 41% percent of consumers would choose a restaurant that practices food upcycling over one that doesn't if all other factors were equal, with this preference increasing to 65% among younger consumers.

Willingness to Pay: More than half, 56%, would not be willing to pay extra for dishes that incorporate upcycled ingredients, with this figure dropping to 21% among Gen Z and Millennial consumers.

Most popular upcycled ingredients:

22% Fruit pulp from juicing

9% Stale bread

16% Vegetable peels and stems

8% Coffee grounds

11% Fish trimmings



Dine Out Sector: Energy and Water Efficiency



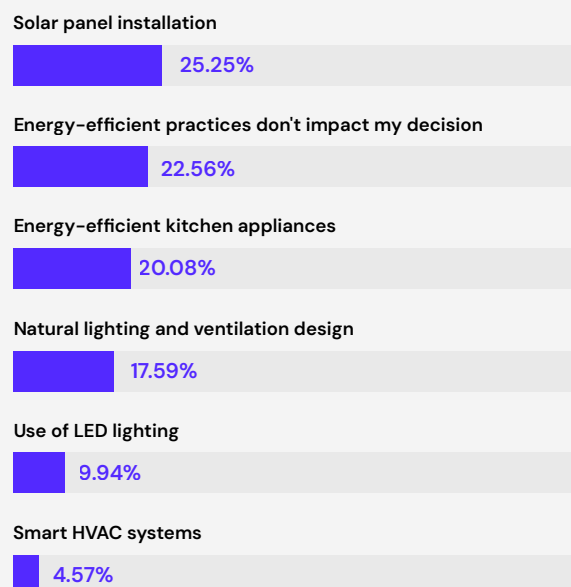
Implementation of technologies and practices to reduce resource consumption in restaurant operations is becoming increasingly important. Our data shows that these initiatives can positively influence consumer perceptions.

Consumer Attitudes: While energy and water efficiency is not a top priority for all consumers when choosing a restaurant, it is very important for 18% of consumers. This importance increases significantly for Gen Z and Millennial consumers, with 34% considering it very important.

Preferred Practices: The energy-efficient practices that most positively influence consumer perceptions are solar panel installation (25%), energy-efficient kitchen appliances (20%), and natural lighting (18%).

Impact on Restaurant Choice: Open communication about energy and water practices can significantly influence consumer choice, with 52% of consumers more likely to visit a restaurant that openly communicates these practices. This influence is even stronger among Gen Z and Millennial consumers, increasing to 74%.

Which of the following energy-efficient practices would most positively influence your perception of a restaurant?





Communication Preferences: While digital channels are important, with 33% of consumers preferring to read about energy initiatives on the restaurant's website or social channels, the majority (63%) prefer physical communication methods such as menus, table cards, and visible certifications.

These findings indicate that energy and water efficiency practices can significantly influence consumer perceptions and choices, particularly among younger demographics. However, the preference for physical communication methods suggests that restaurants should integrate sustainability messaging into the dining experience itself.

Dine Out Sector: Waste Segregation and Recycling

The restaurant industry is increasingly adopting improved systems for separating and recycling various waste streams, including food waste composting. Our data highlights mixed consumer attitudes toward these initiatives.

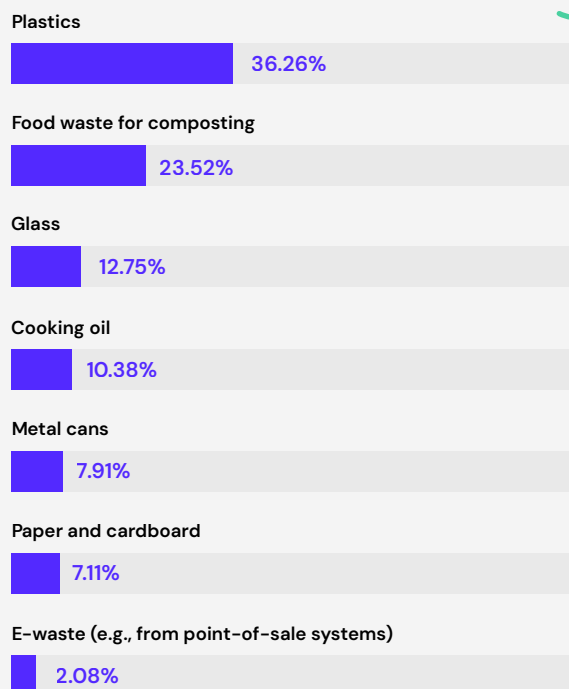
Visibility of Waste Segregation: Only 22% of UK consumers deem it very important for waste segregation to be clear and visible to customers. However, 40% do not see it as important. There is a slight but not significant increase in importance among consumers under 35.

Prioritisation of Recycling Materials:

Thirty-six percent of consumers believe restaurants should prioritise plastic recycling, while 25% feel food waste composting should take precedence. Other recycling priorities include glass (13%), cooking oil (10%), and paper and cardboard (7%).

Impact on Restaurant Choice: Over half of the consumers, 51%, are more likely to choose a restaurant that practices food waste composting, and this preference increases to 64% among Gen Z and Millennial consumers.

Which of the following waste streams do you think restaurants should prioritise for recycling?



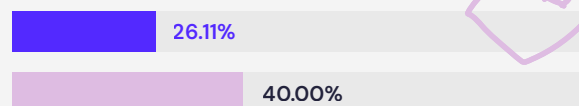
Willingness to Pay: Forty-one percent of UK consumers would support a small surcharge on their bill to fund improved recycling and composting programs, a sentiment that rises to 65% among Gen Z and Millennial consumers.

These findings suggest that while waste segregation and recycling initiatives may not be top-of-mind for many consumers when dining out, they can still influence restaurant choice, particularly for younger demographics. The willingness of a significant portion of consumers to support these initiatives financially presents an opportunity for restaurants to implement more robust recycling and composting programs.



Would you support a **small surcharge on your bill** to fund improved recycling and composting programs at restaurants?

Probably



Not sure



Definitely not



Probably not



Yes, definitely



- Nat Rep
- Age: 18-24, 25-34



Dine Out Sector: Sector Insights



- **Changing Habits:** Fifty-six percent of UK consumers have altered their dining out habits due to increased awareness of sustainability issues, with 13% reporting significant changes. This number rises to 84% of Gen Z and Millennials, of whom 25% have made substantial adjustments.
- **Key Sustainability Considerations:** The most important sustainable aspects when choosing a restaurant include waste reduction and recycling practices (30%), energy and water efficiency (22%), support for the local community and economy (21%), and sustainable food sourcing (18%). Energy and water efficiency are noted as particularly important to younger generations.
- **Communication Preferences:** While 39% of consumers prefer in-restaurant information such as signage, menus, and staff communication for learning about sustainability initiatives, 28% favour website or app channels, and 20% opt for social media. Social media holds the greatest importance for Gen Z and Millennials.
- **Willingness to Change:** Forty-nine percent of UK consumers express willingness to change their dining habits to support more sustainable practices in restaurants, a figure that increases to 64% among Gen Z and Millennials.
- **Consumer Suggestions:** Consumers have voiced a desire for restaurants to place greater emphasis on food waste and upcycling, as well as the reuse, recycling, and repurposing of materials and equipment.

These general insights highlight the growing importance of sustainability in shaping consumer behaviour in the dine out sector, with younger generations showing particularly high engagement with circular economy principles. However, there's still room for growth in consumer awareness and willingness to change habits across all age groups.

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In Summary

Based on our analysis of the circular economy across the takeaway and dine out sectors, we can draw several key conclusions and action points for industry leaders:

1. Generational Divide: Across all sectors, there's a clear generational divide in engagement with sustainability initiatives. Gen Z and Millennial consumers consistently show higher awareness, interest and willingness to change behaviours.

Action point: Develop targeted strategies for different age groups, with a focus on engaging older demographics while capitalising on younger consumers' enthusiasm.

2. Sustainable Packaging Priority: In the takeaway sector sustainable packaging emerges as a top priority for consumers. However, there's a gap between stated preferences and willingness to pay.

Action point: Focus on cost-neutral or minimally more expensive sustainable packaging solutions to drive adoption.

3. Food Waste Reduction Resonates: Initiatives to reduce food waste are well-received across all sectors, particularly when they offer tangible benefits to consumers (for example, discounts on near-expiry products).

Action point: Implement and prominently communicate food waste reduction strategies, emphasising both environmental and cost-saving benefits.

4. Local Sourcing and Circular Supply Chains: There's growing interest in local sourcing and circular supply chains, especially in the takeaway and dine out sectors.

Action point: Develop and promote partnerships with local suppliers and communicate these efforts to consumers.

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5. Energy and Water Efficiency: While not always top-of-mind for consumers, energy and water efficiency practices can positively influence perceptions and choices, particularly for younger demographics.

Action point: Implement visible energy-saving measures (e.g., solar panels, natural lighting) and communicate these efforts through both digital and physical channels.

6. Digital Optimisation: There's growing acceptance of AI and data-driven solutions in the takeaway sector, particularly when they contribute to sustainability goals.

Action point: Invest in digital ordering platforms that optimise operations and reduce waste, while clearly communicating these benefits to consumers.

7. Communication Strategies: While digital channels are important, especially for younger consumers, there's still a strong preference for in-restaurant communication about sustainability initiatives.

Action point: Develop an omnichannel communication strategy that integrates sustainability messaging into the physical customer experience, while also leveraging digital platforms.

The circular economy presents both challenges and opportunities for the food and drink industry. By understanding and responding to evolving consumer preferences and behaviours, businesses can create meaningful change around more sustainable practices while also building customer loyalty and potentially capturing price premiums.

However, the key to success lies in tailoring approaches to different demographics, focusing on initiatives that resonate most strongly with consumers, and clearly communicating the benefits of circular economy practices.

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