

UK Foodservice Industry Report 2025

Trends, Challenges, and

Opportunities

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Executive Summary

The UK foodservice industry represents a critical component of the national economy, valued at approximately USD 105.64 billion as of early 2025, contributing around 3.5% to the UK's GDP. Despite facing significant challenges, including inflation, labor shortages, and supply chain disruptions, the sector demonstrates resilience with a projected compound annual growth rate (CAGR) of 6.23% through 2029. This report examines the current state of the industry, its economic contributions, key market segments, consumer trends, and the challenges shaping its evolution in 2025.

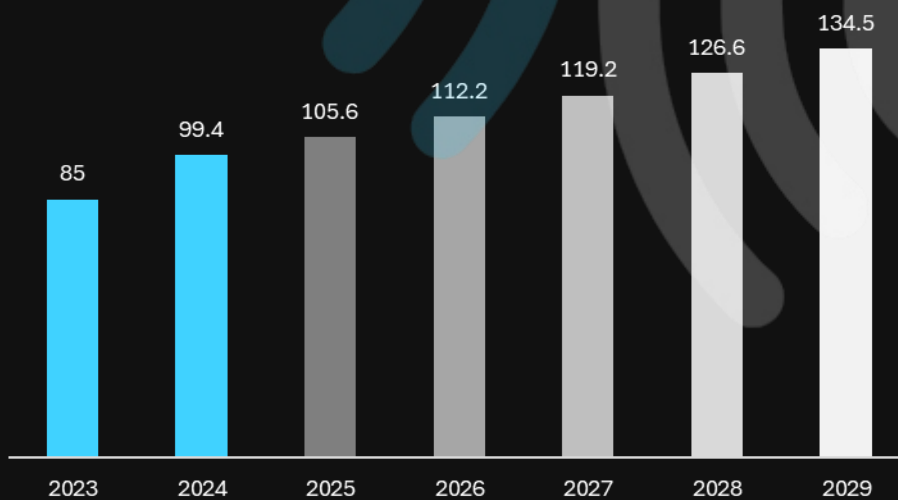


Market Size and Revenue

The UK foodservice market has shown steady recovery and growth following the pandemic disruptions, reaching an estimated USD 105.64 billion in early 2025, up from USD 99.44 billion in 2024. This represents a 6.23% increase year-over-year, consistent with projected growth trends that anticipate the market reaching USD 134.50 billion by 2029.

Revenue Breakdown by Segment (2025 Estimates)

Segment	Revenue (USD Billion)	Market Share
Full-Service Restaurants	47.54	45%
Quick-Service Restaurants	25.35	24%
Cafes & Bars	19.02	18%
Cloud Kitchens	7.92	7.5%
Institutes	6.34	6%
Others	5.28	5%



Revenue Trend USD In Bn

CAGR 6.23%

Tax Revenue USD 39B

Contribution to GDP 3.5%

Economic Contribution

The foodservice industry's contribution to the UK economy extends beyond direct revenue generation:

- **GDP Contribution:** Approximately 3.5% of the UK's GDP in early 2025, up from about 2% in 2022, reflecting the sector's growth and recovery.
- **Employment:** The industry employs between 1.8-2 million people across 150,000-160,000 establishments, representing a sizable portion of the UK workforce.
- **Tax Revenue:** The broader hospitality industry, including foodservice, delivers £39-40 billion in tax revenue annually.

Operating Restaurants

150000

Associated Employees

1.8M

Percentage Of Total Employment

7%

Labor Cost Vs 2020

15-20% ↑

Understaffed Operations

15%

Supply Issues Faced By Operators

30%

Market Segments and Trends

Full-Service Restaurants (FSRs)

Dominating the market with a 45% share (USD 47.54 billion), FSRs continue to attract consumers seeking diverse dining experiences. The segment is adapting to health-conscious preferences, with increasing offerings of vegan, low-sugar, and gluten-free options. European cuisine remains particularly popular, holding a 47.06% share within this segment.

Quick-Service Restaurants (QSRs)

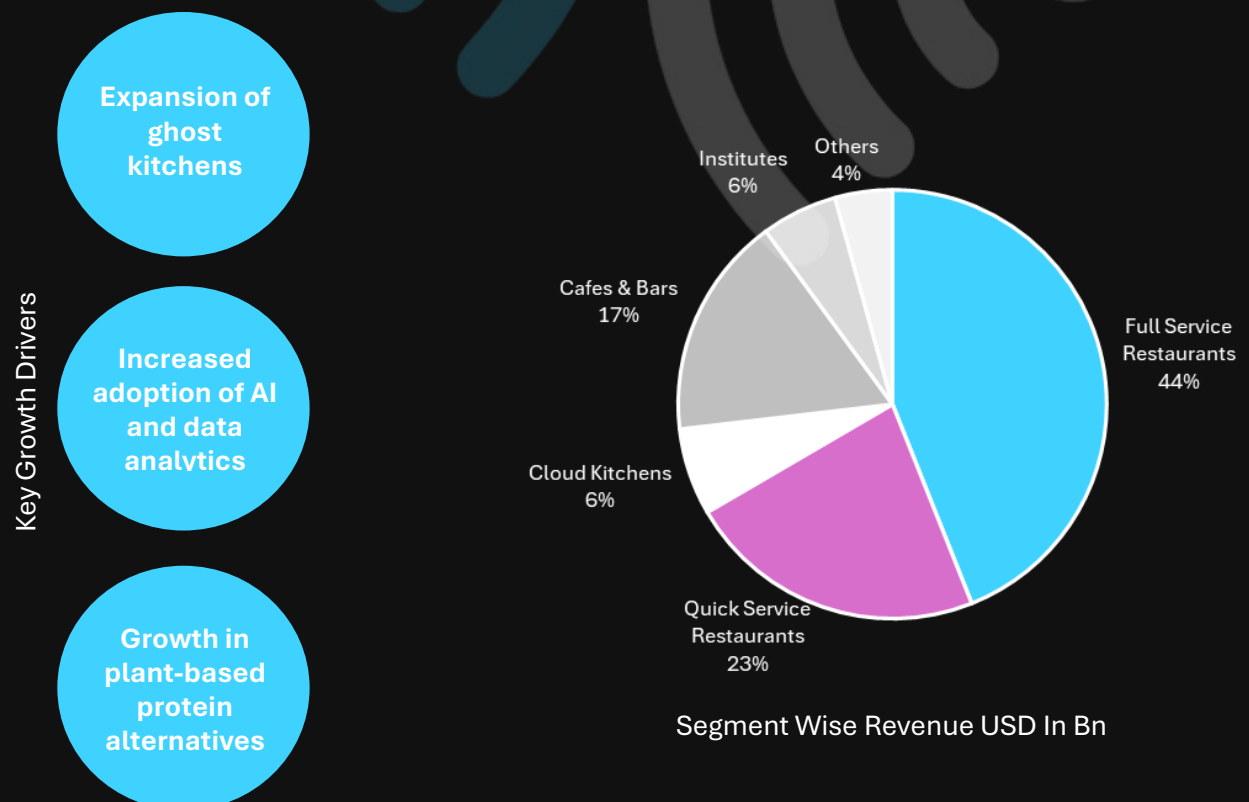
Representing 24% of the market (USD 25.35 billion), QSRs thrive on consumer demand for fast, affordable dining options. Their standardized offerings and efficient service models continue to drive steady growth, with a projected CAGR of 5.20% through 2029.

Cloud Kitchens

Though accounting for just 7.5% of the market (USD 7.92 billion), cloud kitchens represent the fastest-growing segment with a projected CAGR of 31.84% through 2029. Their success stems from lower overhead costs and alignment with growing consumer preference for convenient delivery options.

Cafes & Bars

Comprising 18% of the market (USD 19.02 billion), this segment benefits from the UK's strong pub culture and growing demand for specialty coffee and tea. While traditional pubs face challenges, many are diversifying into food services to boost revenue.



Key Industry Challenges

Labor Shortages and Rising Costs

The foodservice industry continues to grapple with significant labor challenges:

- **Understaffing:** 10-15% of UK foodservice operations are understaffed as of February 2025.
- **Labor Cost Increases:** Labor costs have risen by 40-50% over the past five years (2020-2025), driven by:
 - National Minimum Wage increases (from £8.72 in 2020 to £11.44 in April 2024)
 - Higher employer National Insurance contributions (increasing from 13.8% to 15% in April 2025)
 - Competition for workers leading to wage premiums
 - Reliance on costly agency staff

These factors have pushed average hourly wages from approximately £9.50 in 2020 to £13.50 in early 2025, significantly impacting operational costs.

Supply Chain Disruptions

An estimated 20-30% of foodservice operations (32,000-48,000 establishments) face supply issues as of early 2025. These disruptions stem from:

- Post-Brexit changes to import regulations
- Labor shortages in food production and distribution
- Global supply chain pressures from geopolitical events
- Limited supplier diversity in certain categories

Inflation Pressures

While easing from the peaks of 2023-2024, foodservice inflation remains a challenge:

- Estimated foodservice inflation rate of 5-7% in early 2025, down from 12.6% in January 2024
- Food input costs continuing to outpace retail food inflation (2% in December 2024)
- Energy and packaging costs adding further pressure to margins

Consumer Spending Constraints

The ongoing cost-of-living crisis has impacted consumer behavior:

- Reduced frequency of dining out
- Greater price sensitivity
- Shift toward value offerings across segments

Supply Chain
Issues

Sustainability
Pressures

Labor Shortages

Rising Costs

Consumer Trends Shaping the Industry

Digital Integration and Convenience

The foodservice sector continues to embrace digital technologies to enhance customer experience and operational efficiency:

- **Online Ordering:** Online sales now constitute approximately 10.2% of total food market revenue
- **Delivery Optimization:** AI-driven systems have reduced delivery times below the previous 30-minute average
- **Contactless Payments:** Widespread adoption of digital payment systems

Sustainability Focus

Growing consumer demand for environmentally responsible practices is driving change across the industry:

- Increased preference for locally sourced and organic ingredients
- Adoption of sustainable packaging solutions
- Efforts to reduce food waste (currently over 10 million tonnes annually)

Health-Conscious Choices

Consumer preferences continue to shift toward healthier options:

- Rising demand for plant-based alternatives
- Increased popularity of low-calorie and superfood-infused menu items
- Greater transparency in nutritional information

Experiential Dining

Despite economic pressures, consumers still value unique dining experiences:

- Growing popularity of themed restaurants and interactive pop-ups
- Blending of food with entertainment to create memorable experiences
- Appeal to younger demographics seeking social media-worthy dining options

Technological Innovations

The industry is increasingly leveraging technology to address challenges and enhance customer experience:

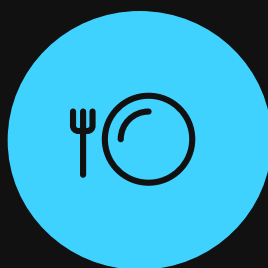
- **Automation:** Rising adoption of kitchen automation and AI-driven systems to mitigate labor shortages
- **Cloud Kitchen Growth:** Expansion of delivery-only operations optimized for efficiency

- **Data Analytics:** Enhanced use of customer data to personalize offerings and optimize operations



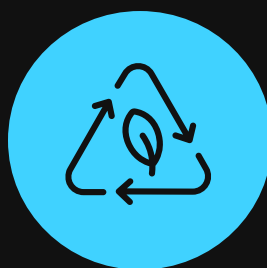
Healthy Eating

60% of consumers are seeking healthier menu items.



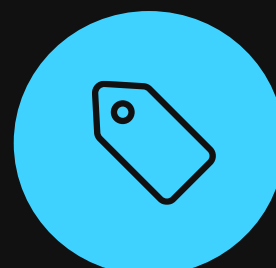
Off-Premises Dining

Takeout, delivery, and drive-thru sales account for 52% of total restaurant sales in 2023.



Sustainability

36% of consumers prefer restaurants that use sustainable practices.



Price Sensitivity

70% of consumers say they are sensitive to price increases.

48%

Online Orders



40%

Self-Order Kiosk



87%

Contact Less Payment



40%

Mobile Wallets



10%

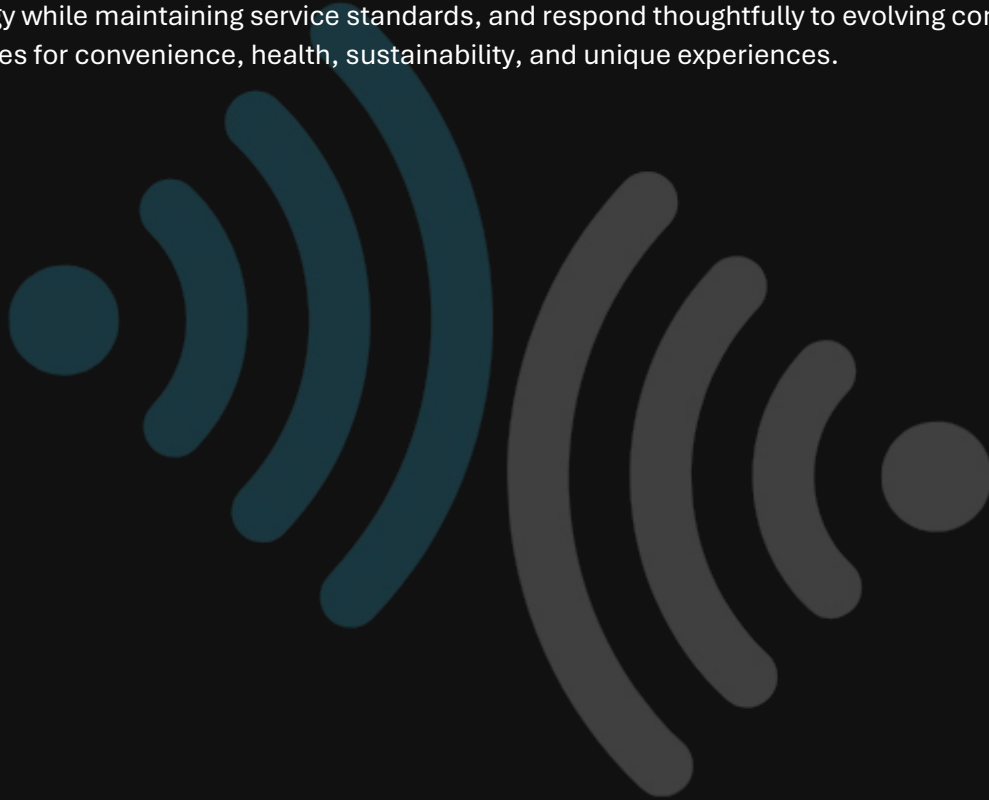
Robotics



Conclusion

The UK foodservice industry in 2025 demonstrates remarkable resilience amidst significant challenges. With a market size of USD 105.64 billion and contributing approximately 3.5% to the UK's GDP, the sector remains a vital economic force. While labor shortages, rising costs, and supply chain disruptions pose serious challenges, technological innovations and evolving consumer preferences create opportunities for growth and adaptation.

The industry's projected growth trajectory (CAGR of 6.23% through 2029) reflects its fundamental strength and ability to innovate in response to changing market conditions. Success in this dynamic environment will depend on operators' ability to balance efficiency with quality, leverage technology while maintaining service standards, and respond thoughtfully to evolving consumer preferences for convenience, health, sustainability, and unique experiences.



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