UK pizza giant to be snapped up?

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Some of the UK's biggest pizza names, including PizzaExpress and Zizzi, are set for sale, a move that could lift their competitiveness.

Private equity group Cinven has made a bid for Gondola Holdings, the operator of PizzaExpress, ASK and Zizzi. Cinven has valued the group at US$1.7 billion (Â£900 million) and the buyout offer has won the approval of Gondola's two main shareholders. If the deal goes ahead it will lighten the financial load on Gondola, including clearing about US$657 million (Â£350 million) of debt, facilitating growth in the competitive UK market for pizza full-service restaurants (FSR).

Past Success for Pizza
Pizza FSR has been performing well in the UK. Euromonitor International figures show the sector has experienced steady sales growth of over 8% since 1999. Last year, pizza was the second fastest growing sector of FSR after Latin American restaurants, and made stronger gains in absolute value terms given that they are off a far larger base. Pizza is the third largest sector of FSR by value, after European and Asian cuisine, and was worth about US$1.8 billion (Â£958 million) in 2005. Gondola is the leading operator in UK pizza FSR, with 500 outlets and almost 38% of market sales. Pizza is benefiting from rising affluence and longer working hours, which are encouraging eating out.

Tough Times Ahead
However, pizza FSR is set for a slowdown. Sales growth in the sector will drop to 2% annually by 2010, while the real winners will be Asian and Latin American restaurants. Pizza will stagnate because consumers increasingly perceive it as unhealthy and want lighter options as well as more exotic flavours. PizzaExpress, ASK and Zizzi rank second, third and fifth in UK pizza FSR. This gives Gondola a solid base but it will have to fight for growth as competition intensifies.

Aiming for A Bigger Slice
To ensure growth, Gondola must maintain the integrity of its brands, keeping food fresh as its chains increase in scale. It is important that Gondola maintains an air of exclusivity while keeping prices accessible. It could move the kitchen into its restaurants to add a premium feel and emphasize freshness and authenticity. Alternatively, Gondola could expand into a sector with more growth potential, such as Latin American or Spanish tapas.

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