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Food and Drink United Kingdom

MARKET REPORT

FOOD AND DRINK UNITED KINGDOM MARKET REPORT

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Introduction

The UK is a growing, dynamic and competitive marketplace with growth projections of 10% (£19.1bn) between 2019 and 2022.

Consumers are looking for quality food and drink products, particularly those that are convenient and with perceived health benefits. In light of the recent Covid-19 pandemic, Brits are becoming more educated and are increasingly looking to food and drink to support stronger, healthier lifestyles.

UK consumers are early adopters and food trends are well received. It is therefore a good market to test new products in, with many opportunities for Swiss food and drink companies to trade.

Source: IGD

Coronavirus Pandemic

As with the rest of the world, the coronavirus pandemic significantly disrupted the entire UK food supply system. Initially many supermarkets ran out of essential food supplies as Brits began to panic buy. Many food service suppliers to restaurants, pubs and cafes faced financial hardship with almost immediate effect, and key workers in the food sector risked their health to keep the nation fed.

The UK shutdown of pubs, bars and restaurants meant the companies and workers who supplied them found their revenue source immediately reduced. Effects were as far reaching as British agriculture itself; dairy farmers, for example, lost over £41m during the period.

The UK Government helped food retailers, facilitating as smooth a transition as possible by relaxing competition laws so that companies could work together to co-ordinate their opening hours and share transport.

Although businesses have now started to open up, the hospitality and foodservice sectors will take some time to recover, feeling the impact until at least 2022, with food and drink suppliers also likely struggle for some time ahead.

Source: House of Commons Committee

The UK Economy

“The recession brought on by the coronavirus pandemic has led to the biggest fall in quarterly GDP on record. The economy began to bounce back in June with shops reopening, factories beginning to ramp up production and house building continuing to recover. Despite this, GDP in June still remains a sixth below its level in February, before the virus struck. Productivity saw its largest ever fall in the second quarter. Hospitality has been impacted the most, with productivity in that industry falling by three quarters in recent months.”

Source: Office for National Statistics

UK GDP

“UK GDP expanded 15.5 % in the three months to September 2020, recovering from a record contraction of 19.8 % seen in the previous period and compared with market expectations of a 15.8 % growth. This has been the fastest expansion in the economy since the series began in 1955, driven by the easing of lockdown restrictions as well as some recovery of activity from the steep contraction in April. Household consumption increased 18.3 % (vs -26.3 % in Q2) driven by higher spending on restaurants and hotels and transport, and gross fixed capital formation rose 15.1% (vs -21.6 % in Q2) boosted by dwellings investment and business investment. Still, household consumption and business investment remained well below pre-pandemic levels. Public spending advanced 7.8 % (vs -14.6 % in Q2), while net external demand contributed negatively to the GDP as imports rose more than exports.

As of November 2020, GDP of the United Kingdom is expected to shrink by 11 % in 2020, before returning to growth in 2021, with an anticipated growth rate of 4.8 %.”

Source: Office for National Statistics

UK Trading

Trading in a new market always has its challenges. Thus, this report is designed to help Swiss companies understand the structure and dynamics of both the UK and Republic of Ireland food and drink markets. The aim is to support Swiss companies to develop tailored market entry strategies and to understand how to best place their products, to maximise their chances of success.

Commissioned by Switzerland Global Enterprise and written by Purple Basil Ltd, a UK-based sales and marketing consultancy, we are delighted to present you with this report.

We very much hope that this will provide a useful overview to understanding the UK and Republic of Ireland markets and we look forward to supporting you with your market entry and/or market development.

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1. The UK Food & Drink Market 2020; the Impact of Covid-19

2020 has been an extraordinary time for us all and the global pandemic has had a significant impact on the structure of the UK Food and Drink industry, with changes in consumer behaviours that are predicted to be long lasting. This section of the report gives an overview of the impact and how the industry has responded.

Impact on the Market

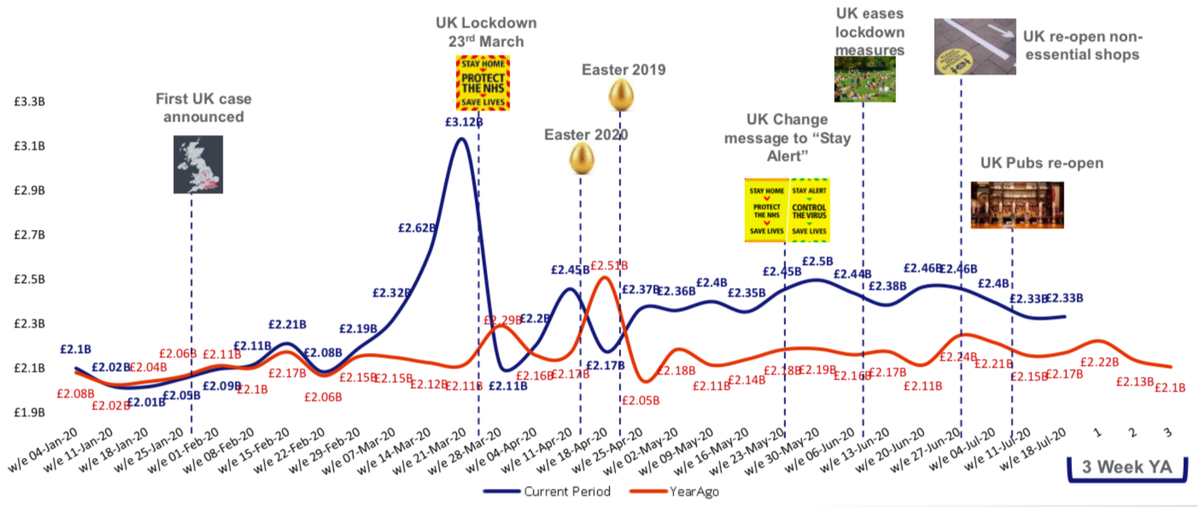
As the country went into lockdown, the UK saw food and drink grocery sales peak at over £3bn in March, which was +47% on the same week the previous year. By April, combined spend on In- and Out-of-Home declined by 18%.

Since the beginning of 2020 to early November 2020, UK Grocery Retailer sales were £7.431bn higher than last year, driven by ambient foods and beers, wines and spirits. As the food service sector re-opened in July and the government introduced discounts to incentivise eating out, growth levels stabilised with growth tracking at +6-7% year on year compared to +1-2% pre-Covid.

The major supermarkets have seen huge increases in demand. Tesco's gross sales are expected to rise by an extra £1.7bn to reach a total of £61.1bn, up from forecasts of £59.4bn prior to the pandemic, followed by Sainsbury's, who are predicted to deliver an additional £0.6bn in sales to reach £31bn (from £30bn) by the end of 2020.

Amazon is predicted to realise an extra £2bn in UK sales, totalling £31.1bn by the end of 2020, up from a £29.1bn prediction prior to the pandemic.

Source: Kantar 2020 & Edge by Ascential June 2020



Source: IRI Retailer Advantage | Total Market | All Products | Latest Week (w/e 18/07/2020) | Value www.IRIworldwide.com *Coronavirus Impact in the UK report*

Impact on Channels

A significant shift in the way consumers shop and what they shop for has fundamentally changed the structure of the Food Grocery market, with 25% of the population now shopping for food groceries online.

Through the pandemic we have seen a rise in larger baskets to limit shopping occasions (basket size grew by 31% and transaction count reducing by 17%) reversing the trend of smaller, more frequent shops seen pre-Covid.

A large-scale expansion of home delivery services and infrastructure has taken place this year and the **online channel** now represents 12.5% of market sales. Kantar figures indicate that over the 12-week period to 17 May, online sales in the grocery sector were up 75% on the year. The major retailer share of sales through the online channel has grown from representing c.5-10% of sales to now c.25% of sales.

The growth outlook for the **convenience channel** is +£5.4bn / +13.2%, 2019-2022, with market share increasing from 21.4% in 2019 to 22% in 2022.

This channel benefited significantly from meeting the needs of the local community during lockdown. Convenience quickly became destination stores as consumers looked to manage the risks around Covid-19. However growth is likely to slow in 2021 and 2022 driven by value decline in the city centre locations.

Although still a large proportion of the market (46.1%), the outlook for **Supermarkets** is to lose market share faster than previously expected, growing by +£0.7bn or +0.8% with market share decreasing to 42.3% in 2022. Retailers will need to focus on making stores easier to shop with efficiency taking precedence over enjoyment, as the roll out of technologies and apps supports a contact-free shopping and payment world; and with reduced opportunities for brands to inspire shoppers through sampling, an influx of new initiatives delivered via apps direct to customers will be seen.

Source: IGD 2020

Managing the Online Demand

To ensure they maximised their sales opportunities throughout the pandemic, the major retailers got creative with their spaces. Many re-purposed their empty city-centre and large stores to become logistics hubs that served online orders. Sainsbury's 'Chop Chop' and rapid deliveries such as Ocado 'Zoom' are great examples of this. However despite their creativity, the demand for online deliveries was so significant that all the major players suffered capacity constraints. As a result, food service businesses, convenience stores and local producers stepped in to develop alternative solutions through partnerships with delivery providers to service their customers e.g. Aldi's trial with Deliveroo in 42 stores.

However with the cost of serving online 15% less profitable, these new market dynamics have come at great cost. Sustainable profitable delivery options with automation and technologies to support this new world will be a key focus for the market going forward.

Technology

Many new technologies have been developed and implemented by retailers with the aim to support social distancing and hygiene. The focus is bringing the safety and security of the online shopping experience to bricks and mortar.

Touchless is a big win, with apps and 'Scan & Go' handsets developed to allow shoppers to scan products in store. Self-service tills help to limit contact and many retailers now have decontamination trolley washes. All of these initiatives ensure a more seamless, efficient, hygienic shopping experience.

Queuing has also been a significant concern for consumers and retailers. Technology solutions to manage customer numbers have become increasingly popular, along with appointment booking solutions, virtual queuing apps and online shopping lists, where customers have the foods on their shopping list waiting for them on their arrival in store.

Retailing is fast becoming a technology game, with those who deliver most effectively against the new consumer needs for efficiency and hygiene winning customer loyalty and increasing market share.

The Impact on the Food Service Industry

The food service sector is predicted to lose £23bn in the second half of 2020, achieving only 53% of 2019 revenue, with 22% of all hospitality outlets closed by the end of 2020.

Delivery services helped to counteract the falling out-of-home sales, with the number of shoppers using delivery services tripling and value sales quadrupling, with total spend only declining by 9% in April and May despite a 76% decline in out-of-home sales year on year.

2021 revenue is predicted to fall by only £10bn to £88bn, only 10% lower than 2019.

Source: Kantar OOH 2020, Investment Trust Insider 2020

The Impact on Food & Drink Categories

Before Covid-19, 60% of meals were home-cooked in the UK; this has now increased to 72% and it is estimated just over 500 million more meals will be consumed indoors every week, with evening meals expected to rise by 23%.

The lockdown fuelled a demand for 'Eating at Home' categories, driving growth in fresh fish, meat and frozen food categories, with home baking seen as a fun distraction for many households.

Consumers reignited their love for home cooking, with world food cuisines in particular growth. With more time on their hands, they looked to recreate the foods they had eaten on their travels 'at home' and experimented with more adventurous, bolder flavour profiles.

The 'food for now' categories and impulse food and drinks reduced in relevance, with food-to-go grocery sales declining by 53% during the 13-week period of the national lockdown. The sector is now seeing a year on year sales decline of 22% in October.

Considering the amount of time people are now spending at home, Kantar forecast a 20% increase in in-home eating occasions, generating eight more in-home meal occasions per week. Lockdown triggered a +50% increase in snacking occasions, 14% in breakfast occasions and +35% in lunch and dinner.

Alcohol sales remain the fastest growing catgory (+24% year on year for week ending 6th September 2020) as consumers change their drinking occasions from 'drinking out' to 'drinking in.' Beer has seen the most significant sales growth with an increase of 66% for the months of April to June 2020.

As a result of the economic uncertainty that the UK is now facing, this trend towards at-home occasions, where consumers feel more in control of their food budgets, is likely to stay, with 89% of Brits vowing to make food from scratch after the lockdown is lifted.

Source: Kantar, France, Spain & UK FMCG Purchase Panels and Usage Food & Drinks Panels, Kantar 2020 OOH, Kantar: Alcohol consumption examining purchase patterns during lockdown, The Grocer

Kantar predicts the evolution of four new behaviours that will dictate the future of the industry:

People **working more from home or unemployed** will lead to more eating occasions and less carried out

Efficient cooking not only in convenience but also in waste management

Delivery & food tech will keep growing fast as the biggest level of convenience + family treat at home

Shift back to **Health** to balance weight & new nutritional dimension (immune boost, vitamins…)

Conclusion

It is clear that shopping habits will remain disrupted in the short, medium and long term.

The eating out landscape will influence retail market growth.

The pandemic continues to drive innovation and tech plays a key role in reducing pain points for customers and improving profitability for businesses.

Opportunities for Swiss companies

The growth in indulgence, health and sustainability represents key opportunities for Swiss companies exporting to the UK to capitalise on. However it is paramount that cost effectiveness is ensured, considering the value-focused climate for a successful launch in the UK.

2. Introduction to the UK and Irish Food & Drink Markets

2.1. UK CONSUMER DEMOGRAPHICS

- In mid-2019, the population of the United Kingdom was estimated at 66.8 million
- It went up by 361,000 from the previous year, the slowest growth since 2004 at 0.5%, driven by the lowest birth rate for 14 years, a fall in immigration and increase in emigration
- Population is projected to reach 74 million by 2039
- The South East of England is home to 9.0 million residents (13.6% of the population), followed by London, which has 8.7 million people (13.2% of the population). Thus, over a quarter of the UK population lives in London and in the South East of the country. The two regions together cover less than one tenth of the UK's land area
- The North West (Manchester, Liverpool etc.) has the third largest population with 7.2 million residents (11% of the population)
- Almost two thirds of households in the UK are one or two person households
- The population of the UK aged 65 and over was 12.4 million (18.6% of the population), growing by 22.9% from mid 2009-2019. According to Mintel, the number of over 55s is projected to see growth ahead of the wider population over the next five years, taking their number to 21.8 million in 2022
- Children (under 16) increased by 8% to 12.7m
- There are many ethnic groups in the UK, including large populations from Asia, the Caribbean and Africa
- The UK has a wide variety of ethnic restaurants, particularly in London and other major cities in the country, and the British consumer has an interest in exploring and enjoying world cuisines both in and out of the home

Sources: Consumer Trends, Office of National Statistics & Mintel

2.2. REPUBLIC OF IRELAND CONSUMER DEMOGRAPHICS

- Population of 4.7m, +3.8% since 2011 and forecast to reach 6.7m by 2060
- 67% of the population is between the ages of 15-64
- 3% of the population is aged over 80 and by 2060 that is forecast to have more than trebled to 10%
- The major ethnic group is Irish at 84.5% of the population, with Asian 1.9%, Black 1.44%, and Irish travellers at 0.7%. Non-national groups residing in Ireland include the majority from Poland (122,515) and the UK (103,113)
- Urban population is 62% with 44% living in Dublin and 11% in Cork
- 38% of the population live in rural areas
- Ireland provides a unique setting for food production
- The Irish agri-food sector has a rich heritage and is Ireland's largest indigenous industry, employing approximately 8.4% of the working population. As a result of the local industry, two thirds of consumers believe it is important to purchase local food

Sources: Consumer Trends, Office of National Statistics & Mintel

2.3. CONSUMERS' ATTITUDES TO FOOD

86% of people, all or most of the time, eat their main meal of the day at home.

Britain's home cooks are largely set in their ways with 62% of people sticking to the same meals each week.

Just over 40% of UK consumers cook from scratch for evening meals and 40% prepare dishes with both prepared and unprepared ingredients. 13% have prepared meals.

Roasting is one of the three most popular methods of cooking, along with pan-frying or stir-frying and boiling. This shows the appeal of roast dinners endures, despite the growth of world cuisines. With people leading increasingly more busy lives, foods that are easy and quick to prepare are the most important consideration for consumers. Demanding and busy lifestyles mean that Brits are not taking time to prepare food and sit down to eat it, so foods must be practical and convenient, but also nutritious.

The increasing movement of the world population and the demand for healthier choices are responsible for the strong growth in the ethnic foods market. 89% of UK consumers eat world cuisines at home, showing their very wide appeal. Retailers develop their offering to cater to this interest.

Being healthy is key for an everyday meal for almost 40% of people who prepare meals at home, falling to 30% for meals for leisure occasions. Health and super foods, 'free from' products such as gluten or lactose free, and locally grown are further trends that attract more UK consumers.

The millennial generation (16 to 34 years) is driving growth across the functional food and drinks categories; they are looking for everyday staples that will deliver added benefits. They selected food and drinks based on their additional health benefits 14% more often year on year.

An ageing population who are increasingly health conscious is fuelling the demand for health and wellness products as well as functional food. This has been further accentuated by the concern regarding the pandemic and the need for strong immune systems.

There is also an increasing share of consumers who view their purchasing decision as a political or lifestyle statement such as no GMO, only free-range eggs, and vegetarian or vegan diets. Furthermore, consumers increasingly require traceability and information about production methods. Fair trade and organic products are becoming increasingly popular.

In the wake of the pandemic, consumers are more concerned than ever about their health, and increasingly educated about the role that food plays in supporting a strong immune system and living a healthier life. This is driving a growing demand across all food categories for health-focused choices.

Sources: Mintel – attitudes to cooking in the home July 2018. Lightspeed/Mintel. 1,780 internet users aged 16+ who are responsible for cooking / preparing meals at home. Mintel April 2019 & Mintel – attitudes to cooking in the home July 2018. Lightspeed/Mintel. 1,780 internet users aged 16+ who are responsible for cooking / preparing meals at home. Mintel April 2019. Kantar 52 w/e 28th Jan 2018

2.4. CUSTOMER SHOPPING MISSIONS

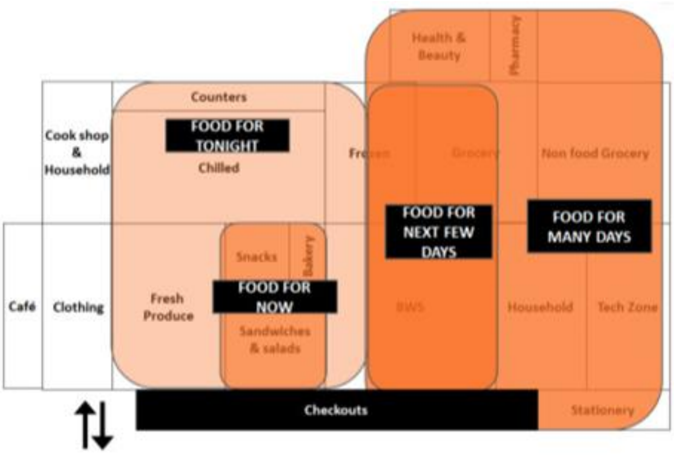
Pre-Covid-19, evolving consumer food requirements were resulting in a change of shopping frequency, from weekly large grocery shopping trips to more frequent small ones. However, with the UK in lockdown for the best part of 2020, we have seen a dramatic shift towards once-a-week large trolley shops and online. Retailers were developing product ranges around the key customer shopping missions, to maximise sales opportunities.

Post-Covid, these shopper-mission focused ranges are even more relevant than ever, as customers seek to maximise the efficiency of their shopping experiences.

Examples of Customer Shopping Missions:

- Food for now
- Food for tonight
- Food for longer
- Food for a few days

Retailers are testing a series of shopping missions that aim to boost cross-category sales and satisfy shoppers by meeting their needs within a specific mission. Shown below, for example, is an image of the layout that Sainsbury's is testing to display products in different ways:

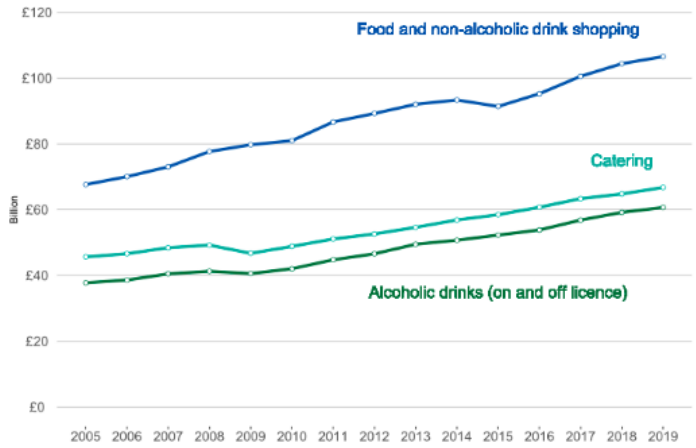


Source: https://shoppervista.igd.com/articles/article-viewer/t/the-importance-of-understanding-shopper-missions-by-channel-and-category/i/15028

3. Market Size, Performance and Trends

3.1. THE UK FOOD AND DRINK MARKET

The following table shows expenditure in billion pounds over the years.

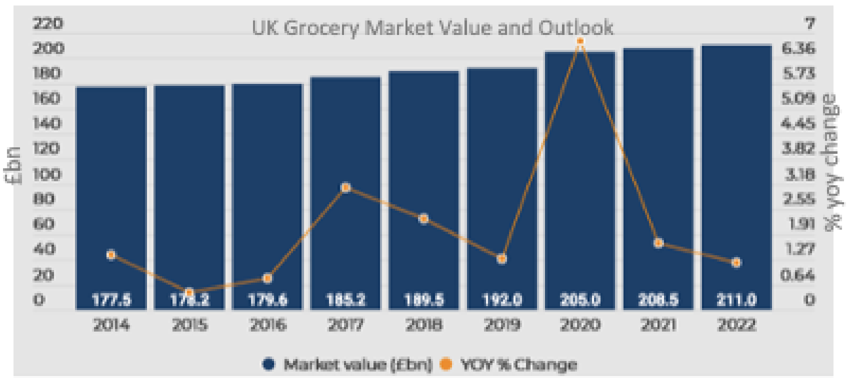


- Total consumer expenditure on food, drink and catering has continued to rise, by 2.5% in 2019 to £234 billion
- Expenditure on food (including non-alcoholic drinks) increased by 2.1%, alcoholic drinks by 2.5% and catering by 3.1%
- Spend on food shopping has increased 32% since 2010. In 2019 it accounted for 46% of spend in the sector
- Spend on catering accounted for 29% of sector spend in 2019 and has increased by 44% since 2010

Source: Office for National Statistics

The UK Food & Grocery Market

The UK food and grocery market is forecast to grow by 10% (by £19.1bn) to £211bn between 2019 and 2022.



Source: IGD June 2020

3.2. CHANNELS

The pandemic has created an accelerated shift towards **online** shopping which is predicted to be a fundamental shift in shopper habits, with online likely to retain most of its new shoppers gained during the pandemic.

Discounters will continue their rapid growth and become the fastest-growing channel in 2021 and 2022, as shoppers reduce their food budgets due to the recession.

Large stores will lose market share significantly faster than previously anticipated, accounting for only 50% of grocery sales by 2022.

During lockdown, many UK shoppers used their **convenience stores** for their main shopping trips. The challenge for convenience will be retaining these shoppers' loyalty whilst also focusing on their key shopping missions (Impulse and Food-for-now).

	2019 Value (£bn)	2020 Value (£bn)	2021 Value (£bn)	2022 Value (£bn)	Change in Value % 2019-2022	Change in Value £bn 2019-2022	CAGR % 2019-2022
Hypermarkets	16.1	16.3	16.3	16.0	-0.3	-0.1	-0.1
Supermarkets	88.6	90.0	90.2	89.3	+0.8	+0.7	+0.3
Convenience	41.0	44.0	45.3	46.4	+13.2	+5.4	+4.2
Discount[1]	24.6	26.9	28.9	30.9	+25.4	+6.3	+7.8
Online	11.8	18.0	18.1	18.9	+59.2	+7.0	+16.8
Other retailers[2]	9.8	9.8	9.7	9.6	-2.2	-0.2	-0.7
Total	**192.0**	**205.0**	**208.5**	**211.0**	**+9.9**	**+19.1**	**+3.2**

Source: IGD June 2020

3.2.1. Discounters

Outlook 2019-2022: +£6.3bn, +25.4%.

Market share will increase from 12.8% to 14.6% in 2022.

This is forecast to be the fastest growing channel in 2021 and 2022 as unemployment rises and UK shoppers tighten their belts financially.

Growth will be supported by a significant store expansion programme in both Aldi and Lidl. The focus will be on smaller format stores to enable penetration into more urban areas.

Discounters stock around 2,000 SKUs (Stock Keeping Units) vs 25,000 in a supermarket. A large proportion is private label, but there are opportunities for brands to be stocked as part of 'events' and special buys. Opportunities for the discounters lie in developing the food-for-now and impulse grocery offer.

47% of shoppers now conduct their main shop in discounters; this has grown by 6%pts since 2017. With approximately 80% of UK shoppers now saying they buy food from discounters every month, understanding shopper behaviour in this channel is critical to the success of food brands and retailers.

UK Discounters

The German, family-owned discount supermarket chain **Aldi** has 890 stores in the UK with 8% market share. Along with their value for money offer, they now stock premium ranges focused on quality, provenance and health. Aldi has 35,000 UK staff, and has already created 2,800 new permanent jobs this year after significant grocery sales growth during the pandemic. The Retailer saw sales increase by 13% over the 12 weeks to 12 July and is targeting **1,200 stores** in the UK by 2025.

Another big player in the discount channel is **Lidl,** with its 800 stores and 6% market share.

High street discounters include **B&M, Poundland** and **99p** stores.

Tesco has launched nine **Jack's** stores, in a bid to compete in this channel with 8/10 products grown, reared or made in Britain.

Source of Data: IGD

3.2.2. Online

Outlook 2019-2022: +£7.0bn, +59.2%

Market share will increase from 6.2% in 2019 to 8.9% in 2022

Online is forecast to be the second fastest growing retail channel (+59.2%) over the next two years.

Smaller and more recent channel entrants will drive growth as they scale up their operations and target emerging shopper needs post Covid-19. More established players will step up their use of web analytics to improve and personalise shoppers' online experience.

Despite the enormous growth in new shoppers in this channel coupled with the bigger order sizes brought on by Covid-19, the expectation is for growth to plateau in 2021. In 2022 growth is likely to pick up, driven by the Amazon expansion and Marks & Spencer online through Ocado.com.

Online-only retailers have less restrictions on space, stocking a very large range: c.50,000 SKUs.

Why sell online?

- ✓ Larger product ranges (Ocado 50,000 SKUs, Supermarkets 10,000-20,000, Discounters 1000-1500)
- ✓ Easier to get listed by a retailer as more space available
- ✓ Higher basket spends
- ✓ Younger shopper base
- ✓ Test & Learn Platform
- ✓ A springboard to other major retailer listings

However, with a lot of online competition, getting the customer's attention throughout their shopping journey is key. Therefore, **a Marketing budget is key to success**. To target efficiently, it is important to understand:

- Who your customer is
- How your customer shops
- What else your customer buys
- What role your brand and products play for the customer
- How you differ from your competition

More rapid and flexible fulfilment options will boost growth, such as click and collect services from more convenient locations such as local convenience stores, places of work and unattended refrigerated lockers.

UK Online Retailers

Tesco is the largest online retailer with circa 33.5% market share, offering nationwide same day delivery covering 99% of households.

Ocado is a purely online retailer with 15.7% share of the online grocery market and delivering double digit growth in sales. It is the fastest growing UK retailer delivering to 70% of UK households through four depots. Marks & Spencer (M&S) and Ocado Group became the joint owners of Ocado Retail in August 2020, with an equal 50:50 share in the venture, giving M&S the ability to sell its food online.

Sainsbury's and **Asda** are battling for the remaining market share, followed by **Morrisons** and **Waitrose.**

Amazon / Amazon Fresh is a new (albeit small) player in the online food market. Out of the 45% of consumers who shop online for food and drink in the UK, 20% say they purchase food and drink with Amazon.

3.2.3. Click and Collect

UK Grocery Click & Collect previously accounted for a small percentage of transactions, in comparison to our counterparts in Europe where it is a much more established form of shopping. However, the pandemic brought about significant change to C&C with many UK households using this method of shopping, viewing it as simple and efficient, particularly in light of supermarkets prioritising the elderly and vulnerable for online deliveries.

It is predicted that a large proportion of these customers (circa 42%) will continue with C&C after the lockdown is lifted.

There will be significant improvements in the technology around C&C going forward, with software to enable customers to book slots and digitally tell retailers when they have arrived in store.

Source: IGD, Geolytex Mintel, April 209, Nielsen and FEVAD

3.3. CONVENIENCE SUPERMARKETS

Outlook 2019-2022: +£5.4bn / +13.2%

Market share will increase from 21.4% in 2019 to 22% in 2022

Over the next two years, the convenience channel is forecast to improve by +13.2%. Market share growth will be minimal, but the channel will deliver the second biggest gain in sales as it meets the growing demand for smaller and more frequent shopping trips.

42% of 18-24-year-old convenience shoppers conducted a food-to-go shop on their last visit (vs. 25% of all convenience store shoppers); younger shoppers are key to driving ongoing growth here. It is reported that £1 in every £5 spent on food and grocery in the UK is being spent in convenience stores.

This channel benefited significantly from meeting local needs during lockdown. However, as the lockdown eases and normal life resumes, convenience growth will slow in 2021 and 2022.

There is a key opportunity for convenience stores to become destination stores, serving the needs of their local communities.

However, with the UK now firmly set up as a working-from-home country, the recovery of retail trade in the city centres is likely to be very slow and will have a negative impact on the overall channel performance.

Source: IGD, IGD Food to Go, MCA Insight and HIM UK Food to go market report 2019

UK Convenience Supermarkets

The convenience market is highly fragmented with many players, but growth is largely driven by the major multiples (Tesco, Asda, Sainsbury's, Morrisons).

The market is structured as:

- Symbols e.g. Spar, Londis, Budgens, with Nisa accounting for 31% of the store numbers
- Multiple Convenience e.g. Tesco Express, Sainsbury's Local
- Co-operatives e.g. The Co-operative
- Forecourts e.g. BP, Shell, Total
- Non-affiliated independents

Product ranges are becoming more bespoke, dictated by the customer shopper missions, to ensure the optimum product range and formats e.g. food for now, food for tonight.

3.4. SUPERMARKETS

Outlook 2019-2022: Supermarkets +£0.7bn/ +0.8%. Hypermarkets –£0.1bn/-0.3%

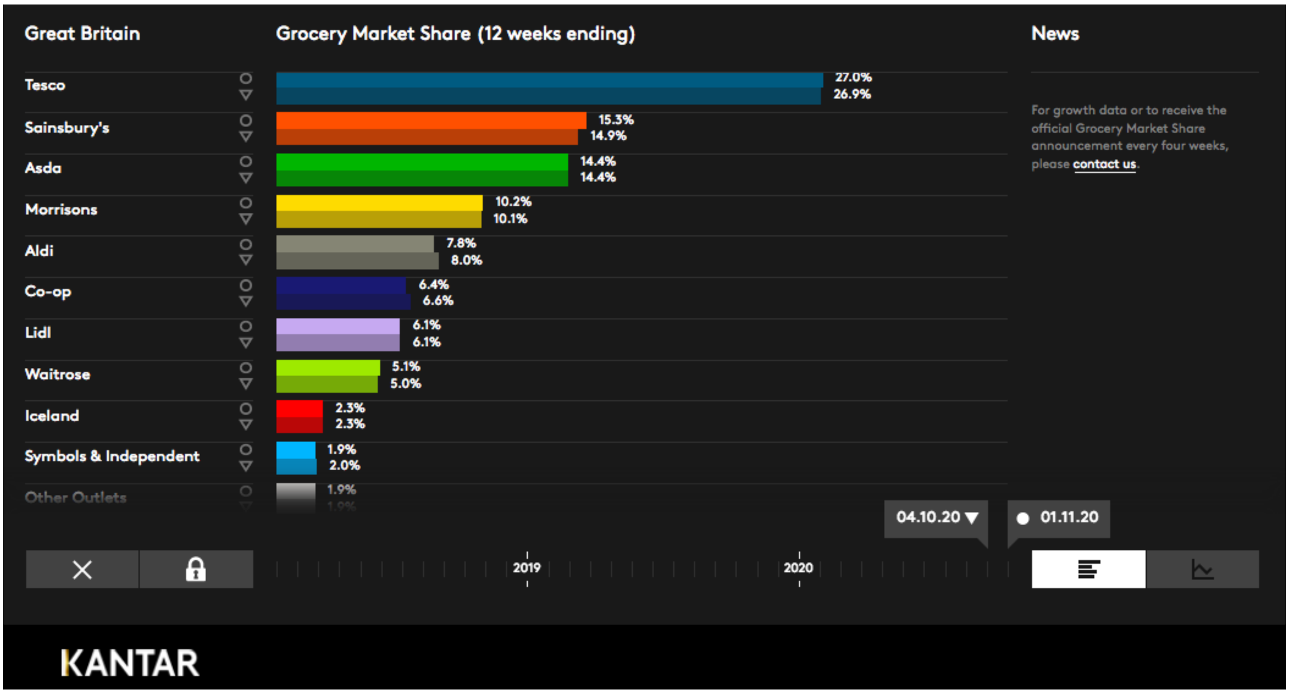
Hypermarket market share will decrease from 8.4% in 2019 to 7.6% in 2022

Supermarket market share will decrease from 46.1% in 2019 to 42.3% in 2022

As with most countries, the large stores in the UK saw significant growth at the start of the pandemic, with many shoppers panic buying. However, this has now largely receded, with hypermarkets reverting to sales declines as shoppers choose other channels. As a result of this shift in consumer shopping habits, Supermarket growth will turn negative by 2022 as the channel loses out to the Discounters and Online.

Customer loyalty is a key concern for this channel. Retailers will need to focus on the shopping experience, using their ranges to create a point of difference. These factors will give customers reason to shop, helping the supermarkets to defend their share. *Source: IGD*

UK Supermarkets – Key Players



Source: https://www.kantarworldpanel.com/grocery-market-share/great-britain/snapshot

- **Tesco** is the market leader with 27% market share and 3,920 stores in the UK with significant buying power. Tesco has a powerful loyalty tool, Clubcard, and associated data (Dunhumby) which ensures a customer focused approach and informs buying decisions. Tesco aims to deliver Value, Convenience and Simplicity
- **Sainsbury's** has 15.3% market share and 1,742 stores. Innovation is key to their strategy to ensure they deliver against changing shopper needs. Sainsbury's is working with premium brands in specific categories to deliver quality perception, and experimenting with exclusive, challenger brands to offer a distinctive range
- **Asda** has 14.4% market share with 673 stores and is seen as the most price conscious retailer of the Big 4, with an everyday low-price strategy
- **Morrisons** is a retailer with 858 locations, which were mainly focused in the north of the UK. Their market share amounts to 10.2%
- **Waitrose** has 411 stores with 5.1% share of the market. A premium retailer focused on creating a point of difference for their customers through quality and innovation

Store Numbers

UK Key Players Store Numbers & Share	Tesco	Sainsburys	Asda	Morrisons	Aldi	Lidl	Waitrose	M&S	Iceland	Co-op
Supermarkets	923	835	588	494	836	775	317	293	934	620
Express	2512	605	23	34			62	714		1968
Forecourts	485	302	62	330			32			145
Total	**3920**	**1742**	**673**	**858**	**836**	**775**	**411**	**1007**	**934**	**2733**

Sources: IGD UK Grocery store numbers 2018

3.4.1. UK Speciality Retail Market

The Speciality Food & Drink Retail market includes food halls, independent delicatessens and farm shops. Serviced mainly by distributors, who offer an efficient buying and supply model. Packaging, merchandising and events are especially important for the speciality retailers.

Key Players:

Selfridges & Co.

Selfridges stock a wide range of high quality, speciality food and drink products and they operate a number of counters and concessions. They have a large cheese and confectionery department. The store is contemporary and sits well with products with modern packaging. They have a second smaller food store in Birmingham which focuses more on gifting products.

Harvey Nichols

This company has a food hall in London Knightsbridge, and others in Leeds and Edinburgh, although these have smaller food sections. They have a contemporary look to the store and often seek innovation and high-quality goods from small producers as well as some established brands.

Harrods

Their food hall is renowned for both the range of rare and exotic foods as well as its listed architecture. Around 85% of sales is Harrods own brand, so it is often better to supply Harrods branded goods rather than your own. Their customer base is both tourists and locals. Delivery is available for certain products. The store has a few concessions inside their food hall from confectionery to bakery. They pride themselves on selling premium products. They have several partnerships each year with renowned chefs and sell food to allow consumers to try their recipes at home. They also have a large group of customers who are looking for halal food, so confectionery which is halal certified is popular.

Whole Foods Market

Whole Foods Market is an American concept that sells largely organic, wholefood and health products. They have seven stores in London.

Fortnum & Mason

Fortnum and Mason have their main store in London Piccadilly, one at London St Pancras Station and one at Heathrow Airport. They began as a grocer in the Victorian era and continue to retain a more traditional, classic feel, selling mainly packaged food like tea, biscuits, jams and confectionery.

Planet Organic

This British supermarket chain has eight stores in London. It was the UK's first, and now largest, fully certified organic supermarket.

Holland & Barrett

Holland and Barrett is a retail chain of health food shops selling health-focused food and drink, vitamins, supplements, sports nutrition, etc. There are over 700 H&B stores in the UK.

Farm Shops

Farm Shops are opening at a faster rate than ever, with over 4,000 (estimated) farm shops in the UK and revenue increasing between 5-10% this year. 30% of consumers visit a farm shop at least once a year, and 12% shop at a farm shop at least once a month. Customers are increasingly seeking out specialist food producers such as these, based on a desire for provenance, authenticity and an interest in supporting their local community.

Independent Retailers

The number of independent retailers across the UK has soared year on year, rising by 110% in the past five years, as they capitalise on the nation's growing 'foodie' obsession. They champion the small producer, often offer shoppers a treat (sampling) and build their loyalty through exceptional customer service. This personalised touch is driving growth for them in an increasingly digital age where consumers are feeling disconnected. High profile **Delicatessens** are also experiencing strong growth. Originally set up to cater for the growing international community, they have responded well to the demand for organic, locally sourced, additive free, allergen free and Fairtrade products.

3.4.2. UK Food Service Market

The UK Food Service Market (or Out of Home, OOH) was valued at c.£98bn in 2019.

Pre-Covid, we saw increased revenues from restaurants and foodservice outlets contributing to shifting consumer preference towards takeaway food and online purchases. With many individuals preferring to consume food on the go, due to busy schedules and hectic lifestyles, the demand for foodservice outlets is rising.

The United Kingdom foodservice market is highly fragmented, owing to the number of small and giant players dominating the market.

UK Food Service – Key Players

The increased prevalence of many local and international players in the United Kingdom has led to intense competition among the players.

1. Restaurants
Key players include: Mitchells and Butlers, Gondola Holdings (operating Pizza Express, Ask, Zizzi and more), Whitbread Restaurants and The Restaurant Group (owning Chiquito, Frankie and Benny's, Garfunkel's, Home Country, TRG Concessions and Brunning & Price).
Key players in the quick service restaurant channel include McDonald's, Burger King, Nando's, Eat, Domino's, KFC, Pizza Hut, Pret a Manger, Subway and Greggs Plc.

2. Hotels: many are independently run. Larger groups include Premier Inn, Hilton, Marriott, Intercontinental, Savoy Group and Holiday Inn.

3. Pubs offer a relaxed eating environment and many UK consumers eat a main meal regularly in a pub. Many pubs now offer food in a bid to survive. Key players include JD Wetherspoon, Greene King and Punch taverns, Enterprise Inns, Admiral Taverns, Scottish & Newcastle, Harvester, Toby Carvery, Brewers Fayre, All Bar One, O'Neills and Marstons.

4. Leisure outlets including theatres, cinemas, health clubs, mobile catering at events and travel companies. Key players include David Lloyd leisure centres and Odeon cinemas.

5. Coffee Shops: key players include Starbucks, Costa, McDonald's, Pret a Manger, Caffè Nero and Eat.

3.4.3. The Covid Impact on the UK Food Service Market

The UK foodservice sector has been significantly impacted by the pandemic. It is predicted to lose £23 bn in the second half of 2020, achieving only 53% of 2019 revenue, with 22% of all hospitality outlets closed by the end of 2020.

- Value sales between January and August 2020 were down 30% vs the same period a year ago
- In-Home spend grew 9% over the same period
- -10% decline in value sales of combined value of the Snacking and Beverages categories
- In April, combined spend on In- and Out-of-Home declined by 18%
- In July 60% of UK consumers had returned to purchasing OOH
- Penetration is still below 80%

Food Delivery services were quick to react to the pandemic and almost immediately began to offer consumers the possibility of replicating an OOH experience in the home, with total spend only declining by 9% in April and May, despite a 76% decline in out of home sales year on year.

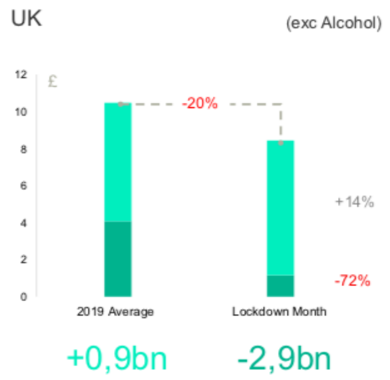
Just Eat UK achieved 33% year-on-year growth in April and May with an additional 29m orders, with average order values rising. This growth has come from very limited incremental costs. As a comparator, Tesco has grown sales by 10% through the same time period but has incurred circa £840m in costs to support this growth due to hiring an additional 48,000 employees.

The number of shoppers using these services tripled during the pandemic, with value sales of food delivery services quadrupling. This appears to be a fundamental shift in consumer behaviour, as performance has remained consistent as the lockdown has lifted.

In 2021 revenue is predicted to fall by £10bn down to £88bn, only 10% lower than in 2019 which is a strong performance. With profit margins on delivered food over 40%, food delivery has become a very appealing option for the food service industry.

Source: Investment Trust Insider, Kantar OOH Panel UK

Food & Drinks In-Home and Out of Home spend per month (billions) in UK



Source: Kantar, Spain and UK FMCG Purchase Panels combined with OOH Panels

Impact on the out of home channels

- Coffee Shop channel (the largest OOH channel) revenue was 50% down during the lockdown but has now recovered to pre-pandemic levels
- Quick Service Restaurants & Bakeries have seen the largest growth in sales and are the overall OOH winners, continuing to do well and retain customer loyalty despite lockdown lifting
- Bars, Pubs and Full-Service Restaurants have seen the largest sales declines, with year-on-year spend remaining 40% down in July and August

Beverages

- In 2019, Beverages accounted for 63% of OOH spend
- During the pandemic sales declined by 36% vs 21% in snacking
- Beverages accounted for 75% of the total decline in OOH spend

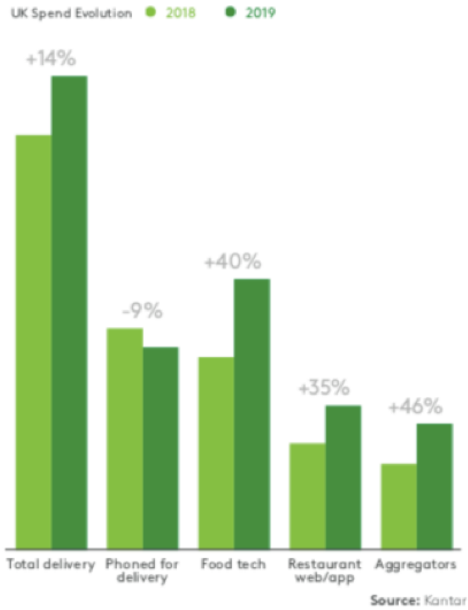
Source: Kantar

3.5. OUT OF HOME DELIVERY MARKET

3.5.1. Pre-Covid-19

- The UK Food Service delivery market was worth £8.1bn in 2018 and grew +13% year on year
- 60% of Quick-service Restaurants spend in the UK was for take-away or delivery
- Delivery and take-away were rapidly growing their out of home (OOH) share
- Across the UK, France and Spain, they accounted for 12.3% of total OOH spend
- 76% of revenue generated by takeaway and delivery was incremental to out of home market value
- Just Eat is and continues to be the biggest delivery platform, acting as an intermediary between restaurants and customers including restaurant brands and fast-food chains

Sources: Kantar & AHDB, Kantar (52 weeks ending March 2019, compared to the same period in 2018) Food delivery and takeaway market in the United Kingdom (UK) - Statistics & Facts (Statista). 2018 MCA Food Service Delivery Market Report.



3.5.2. Impact of Covid-19

The pandemic has driven the rapid expansion of the home delivery market, with c. 60% of restaurant goers using delivery in the past three months according to a Retail Economics study. The sector is predicted to be worth c.£15bn by 2023.

Just Eat, UberEats and Deliveroo have partnered with around 50,000 venues. This sector now represents between 10-20% of the total food service market.

- 11 million: the forecasted number of online food delivery users in 2020
- £5.40: the average weekly spend on takeaway meals by Brits
- 7.5 billion: the number of food deliveries made in the UK during 2019
- 60% of UK adults are active users

Source: 2020 Food Delivery service statistics you need to know Beambox. Big Hospitality, what do the 2020's hold for restaurant delivery?

The Long Term View

The industry is likely to recover to 2019 levels by 2025 and will eventually increase to £108bn by 2030.

The UK Consumer is becoming increasingly cautious as the impacts of the global pandemic play out, with a large number of Brits stating they would actively spend less than before in restaurants and choose to eat out less frequently.

With the 'new normal' of limited travel, the fast-food outlets are likely to be the biggest winners as they steal share from the service-led restaurants. Their price-conscious approach, coupled with their ability to provide takeaway, delivery and drive-through services, has kept them agile during this uncertain time and ensured their better performance.

Source: Kantar OOH Panel UK, Food Servicer International News for the HORECA sector.

3.5.3. Dark Kitchens

Beginning in 2017 Dark Kitchens evolved due to a time poor and convenience hungry society, and have played a crucial role in supporting the food service industry during lockdown.

Dark kitchens, also known as virtual kitchens, cloud kitchens, ghost kitchens, or delivery-only restaurants, are kitchens that cook purely for delivery; they are designed to help restaurants split up their in-house dining and delivery services, bringing restaurant food to locations, with the chefs focused solely on creating the ultimate home dining experience.

They are owned by delivery services such as Deliveroo with concession areas for the various restaurant operators.

They are now one of the fastest-growing sectors in the food service industry, driven by the development of apps.

3.6. BREXIT UPDATE

The transition phase following Brexit ended on 31 December 2020.

The UK is not self-sufficient and needs to import food and drink.

- 50% of all food consumed in Britain is imported, with 32% arriving from the EU
- 80% of British shoppers are worried about the price of supermarket food and drink in the event of tariffs coming into effect. The signs of 'recessionary behaviours' are now very much present in consumer shopping habits, as Brits cut back ahead of the possible Brexit impacts coupled with the impact of Covid-19

In order to be fully prepared for UK Market entry, it is important to fully understand the implications of Brexit:

- Exchange rate volatility and tactics to mitigate currency exposure
- Customs processes and associated costs
- Tariffs

3.7. REPUBLIC OF IRELAND FOOD AND DRINK MARKET

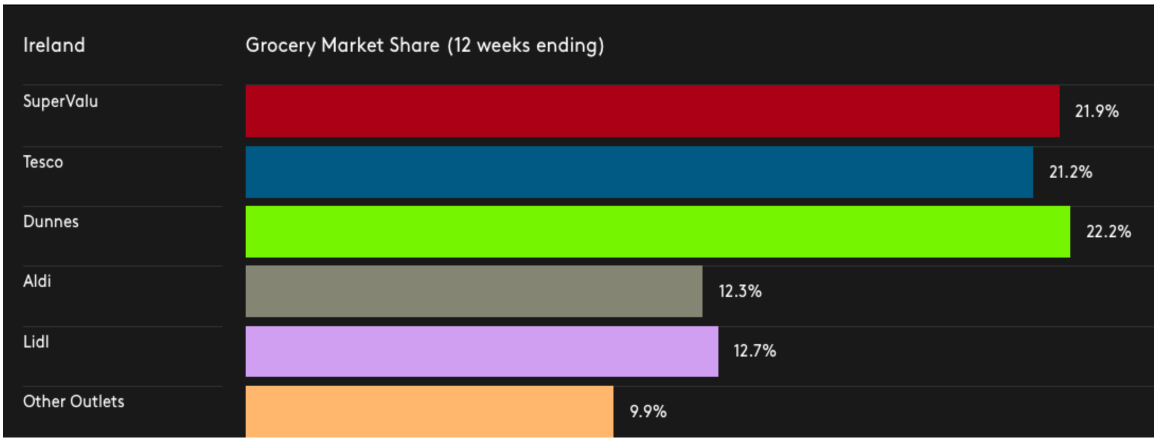
Ireland's food and drinks sector is Ireland's largest and most important industry. It has an annual turnover of €25 billion and exports €10billion of this. It supplies the majority of produce to Ireland's €14 billion domestic grocery and food service sector, and is the largest net exporter of dairy ingredients, beef and lamb in Europe, the largest exporter in Europe of powdered infant formula and the UK's largest supplier of food and drink, with Irish agri-food and drink exports in 2019 accounting for 34% of all exports, decreasing from 42% in 2010.

Source: Deloitte. Bord Bia.

3.8. REPUBLIC OF IRELAND GROCERY MARKET

3.8.1. Republic of Ireland Supermarkets and Convenience Stores – Key Players

- The grocery market in Ireland is very concentrated with three key players having 65% of the market. In spite of this, it is very competitive since the growth of the discount channel (Aldi & Lidl) which has successfully communicated the Irishness of its offering
- Dunnes Stores is an Irish family-owned multiple retailer, focused on their Irish heritage and supply base. Dunnes Stores have 82 stores in the Republic of Ireland and 26 in Northern Ireland
- Musgrave's Retail Partners Ireland is a retail operation that includes SuperValu and Centra in Ireland, and also includes Mace stores in Northern Ireland. Most stores are independently owned and operated under the SuperValu franchise model. Each store operates to standardised planograms, with some local overlay options. Generally, the target for each retailer is to have a 95% sourcing compliance rate, with an option to source up to 5% of their ranges at their discretion. There are 223 Supervalu stores and 450 Centra stores, and 120 in Northern Ireland
- Tesco have 152 stores, with a separate head office buying function to the UK
- The UK major retailers (Tesco, Sainsbury's, Asda) have stores in Northern Ireland; Tesco with 35% market share



Sources: Kantar market shares 12 weeks to 11th November 2020

Take-home grocery sales growth in Ireland grew by +14.4% during the 12 weeks to 1 November 2020.

Online grocery sales continue to grow as in the UK, by +90% year on year in the latest four weeks, with almost 255,000 shopping through digital channels in October. Shoppers also increased the size of their digital trolleys by 9.6%.

3.8.2. Ireland Speciality Retail Market

Ireland is a very fragmented market, with many independently owned stores. They generally have a wide range of specialty and local food and drink products. They are looking for products that give them a point of difference vs the major supermarkets. Service is very important in these stores. Many have introduced added value retail practices and creative platforms to reach existing and new customer bases.
Some high-end food stores include:

- Avoca - a clothing manufacturing, retail and food business with 14 stores
- Fallon & Byrne – three high end food halls
- The Fresh Market - six stores, they promise to deliver 'value you can taste'

A number of health food stores have grown their presence in recent years including:

- The Health Food Store – stocking 6,000 products, 11 stores in the group, 8 in Dublin, 1 in Kildare and 2 in Wicklow
- Nourish – selling whole foods from 14 locations across Dublin, Kildare, Limerick and Cork
- Evergreen – seven stores and Evergreen.ie, Ireland's largest online health store, with over 5,000 products, 250 top brands
- Holland & Barratt, the no.1 health store in Ireland, also has significant presence, as in the UK

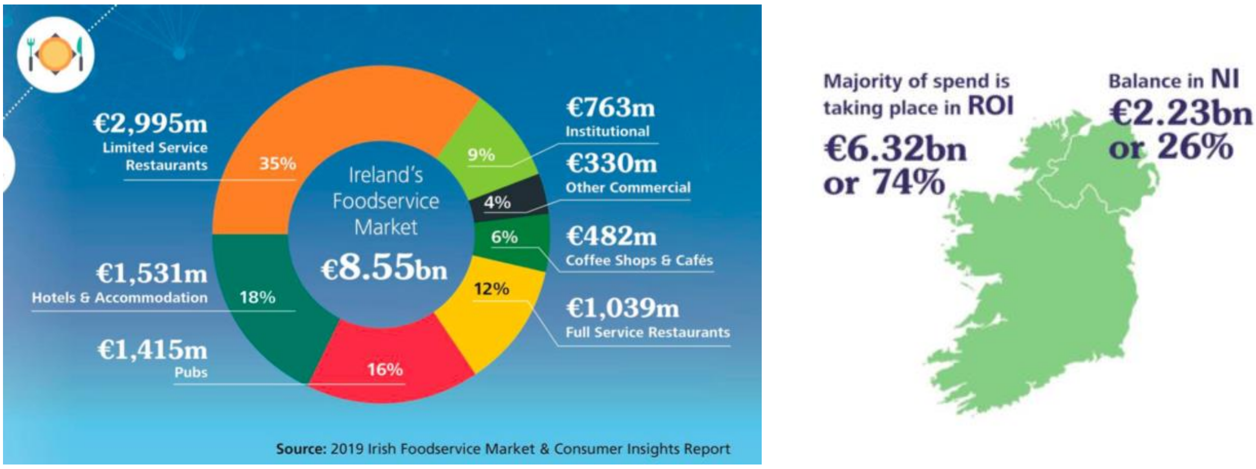
3.8.3. Ireland Food Service Market

The Irish food service market has grown by 4.5%, reaching a value of €8.55bn in 2019, with a rise in the numbers of restaurants and cafés.

Irish consumers are seeking out ultra-convenience and sustainable practices. Strong growth in income and employment, coupled with strong tourism figures, have been key contributors to the overall health of the sector.

As globalisation continues and Ireland remains an attractive location for expansion of multi-national foodservice operators, Irish provenance and its sustainability credentials remain strong differentiators and something that Irish consumers see as unique and important to their decision-making process.

City centres have now reached close to saturation point when it comes to quick serve restaurants and cafés, and a tightening labour market has led to shortages in finding and keeping qualified staff. With more operators using food as a tool to compete, new channels such as forecourt food experiences continue to emerge.



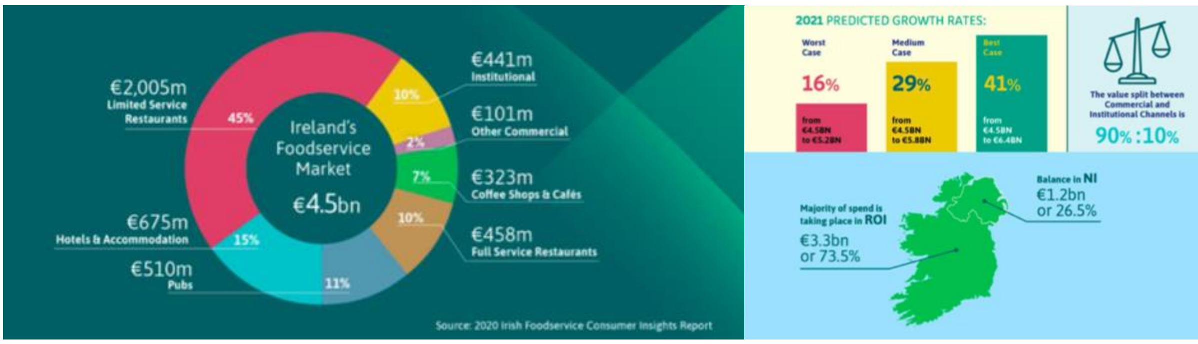
Source: 2019 Food Service Market Insights report, www.BordBia.ie

3.8.4. The Covid Impact on the Irish Food Service Market

The Irish food service channel has seen a dramatic decline as a result of the pandemic. The overall turnover in Northern Ireland and the Republic of Ireland collectively will decline -47% year on year.

Total spend is forecast to be €4.51bn compared to €8.5bn in 2019, a huge loss of €4bn.

A bounce back is expected in 2021 with a two-year average growth rate of between +14-22% from 2019 to 2021.



Source: 2020 Food Service Market Insights report, Bord Bia/Technomic. www.BordBia.ie

4. Consumer and Market Trends

4.1. MACRO CONSUMER TRENDS

Four key trends that are likely to have a strong influence on the UK & ROI food and drink markets over the coming years:

1. Engaging Experiences
Millennials lead the way, trading ‘things’ for experiences, particularly authentic, international travel opportunities.
2. Sustainable Living
Conscious, positive impact on society & environment.
3. Health & Wellbeing
Eat, drink and live to optimise the body and mind.
4. Digital Connectivity
Addressing an increasingly digital way of life.

Sources: EuroMonitor, Kantar, Mintel

4.2. FOOD RETAIL MARKET TRENDS

The Macro Consumer trends are influencing the Retail channel in the following ways:

1. Sustainability
Consumers are looking to Manufacturers and Retailers to address their food needs without compromising the health of the planet.
2. Data
Data is the new battleground, as Retailers and Manufacturers strive to tailor their offer to the ever-promiscuous shopper.
3. Health & Wellness
Consumers are increasingly looking to attain a state of holistic wellbeing; they are seeking out foods that enable them to achieve this.
4. Seamless Online Shopping & Social Commerce
To win the digitally connected consumer, Manufacturers and Retailers must work together to create memorable experiences.

Source: IGD Retail Analysis 2019 Deloitte Bridging the Grocery Divide

4.2.1. Sustainability

Consumers are no longer shopping on autopilot. Health and environmental concerns are making them increasingly mindful and they are expecting retailers to address this in their product ranges and stores, whilst continuing to offer value for money. Sustainability considerations include:

- Food waste – both in production and in the home
- Food miles and logistics
- Impact on the community, locally & globally
- Encouraging healthier and active lifestyles

Waitrose Refill Station – packaging free trial

All surplus food from Tesco’s 149 stores is redistributed to charities & community groups through FoodCloud’s App

Tesco: “packaging will be a critical aspect of our ranging decisions”

Sources: IGD Retail Analysis 2019, Waitrose.com, Sainsbury’s.co.uk

4.2.2. Packaging Trends

Responsibly sourced
Materials used and consideration of the packaging after-life.

Transparency
Sustainable sourcing messaging, key product benefits.

Purpose and Functionality

- Perfectly suited to new experiences of shopping online
- Pack formats engineered to optimize storage and delivery
- Marketing messages and aesthetics on screen, rather than on pack

Experiences

- Ensuring the consumer experience is as memorable and personable as possible
- Immersive experiences e.g. designed to bring people together to share
- Improving the sensorial properties of products whilst they are being consumed
- Providing the consumer with digital content that they can share online

Compost-friendly trays

We introduced the world's first compostable ready-meal tray. It's made of tree pulp with a bio-laminate texture similar to cardboard. The fibre-based packaging is being used for our Italian ready meals, and can be recycled with waste paper. The tray also won Waitrose & Partners' 2019 Sustainability award for its innovative design. It's 10% lighter, has a 50% reduction in CO2 emissions, saves 56 tonnes of black plastic annually and materials are sourced from Forest Stewardship Council certified areas.

Sainsbury's are the first retailer to remove black plastic from all ready meals and Waitrose introduced the first compostable ready meal tray.

HeatGenie is a self-heating system that forms part of the packaging, enabling consumers to heat drinks on the go. The technology is environmentally friendly & simply heats beverages with a twist of the lid through a solid-state thermal reaction.

Sources: IGD Retail Analysis 2019, Waitrose.com, Sainsbury's.co.uk Cision 2018

4.2.3. Data

Retailers use data as a key tool to support their strategy development and market share growth. Retailers and manufacturers now understand customers and their shopping behaviour better than ever before, tailoring the shopping environment to best suit them.

Sources: i2c Dunhumby

What questions can it help you answer

What are my customers buying? How do they behave? How can I use data to identify shopping trends and patterns?

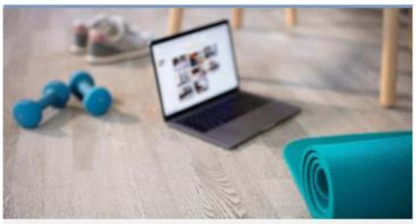
How can I spot actionable insights fast? What is the impact of my decisions? How can I optimise return on investment?

What are my priority areas of investment? How can I create competitive advantage and gain market share?

4.2.4. Health & Wellness

COVID-19 has driven a desire for healthier lifestyles with consumers. Now, 55% of shoppers intend to choose healthier foods in the future and 49% aspire to continue exercising at home.

The economic impact of the pandemic and rising food prices remain at the forefront of the mind. As shoppers adjust to the ‘new normal’ and desire to maintain habits formed during lockdown, making healthier choices easy and affordable is key.



Holistic health

In recent years we've seen health and wellness priorities broaden, spanning both mental and physical health. This trend looks set to continue but in the short term at least, **more shoppers have demonstrated positive intent to make dietary changes over being more active**. Our ShopperVista blog explores which habits shoppers intend to stick with.

Affordability

The issue of **food insecurity has received greater attention** over recent months, boosted by the campaigning efforts from footballer Marcus Rashford. Learn more about Marcus' Child Food Poverty Taskforce and explore how shoppers balance health priorities with savvy shopping as they contend with the economic impact of COVID-19 in our new article.

Connection with food

We've seen **more evidence of the different ways people have increased their connection with food during lockdown**. As people adapt to a 'new normal' it's not yet clear how this will impact shoppers' connection with food.

Look out for new research from IGD this Autumn, exploring how food businesses can support shoppers to maintain some of these positive habits.

Source: IGD Shoppervista (Base 1164 shoppers), August 2020. IGD Shopper Confidence Index (August 2020)

There is an opportunity for retailers and suppliers to help consumers eat better as 88% of consumers are actively trying to improve their diet.

Shoppers are prioritizing health in different ways:

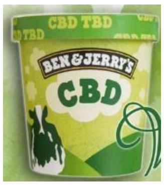
- 35% eating more fruit and vegetables
- 32% reducing sugar
- 28% drinking more fluids

Price impacts consumers’ ability to eat healthily as 69% believe that healthier foods are more expensive and 66% believe there are not enough special offers available.

Source: The Grocer

4.2.5. Protein, Fibre & CBD

- People are increasingly learning about the importance of a healthy gut and many are consciously adding more fibre to their diet
- With consumption growing by 4.4% in the past year, fibre is set to become one of the fastest growing food trends.
- Both protein and fibre content matter to the UK consumer, as they demand their snacks do more than just satisfy cravings
- ‘Relaxing’ consumers on the go is fast becoming a mainstream functional health trend
- CBD and other Cannabis extracts are appearing in almost every category in UK FMCG
- Soft drinks, Confectionery and Beers Wines & Spirits are some of the categories offering consumers a chance to improve their overall wellbeing through the calming properties of CBD



4.2.6. The Plant Based Trend

Plant-based foods have been on the rise in response to the climate crisis, with brands achieving up to 400% in sales increases year on year. Plant based is a food trend that isn't just about taste. 66% of consumers are concerned about climate change and keen to change their eating habits to support a healthier environment.

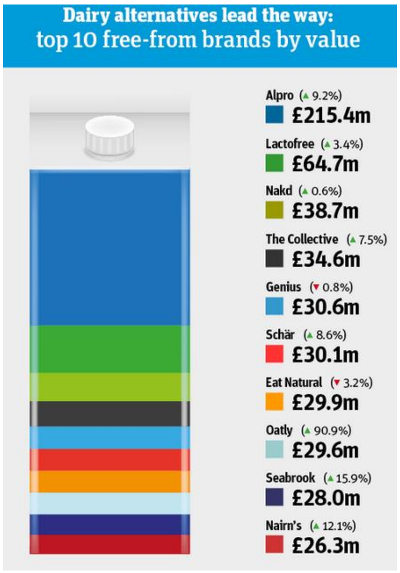
- Sales of meat-free items rose by 18% to £474.m in the past year
- Plant-based meal occasions have grown by +37% in the last four years and are now eaten by 10% of the population, with consumption of protein from vegetable sources growing 4.6% in five years
- We have seen a huge rise in vegan product launches which now account for 1/5 of all product development in retail
- Vegans represent only 3% of the UK population, with Millennials making up 1/3 of all vegans
- Flexitarianism or Semi-Vegetarian is a popular trend, addressing the macro trends of health & sustainability
- 27% of Brits are planning to buy vegan food
- 55% think it is a healthier choice
- 92% of plant-based meals are eaten by non-vegans

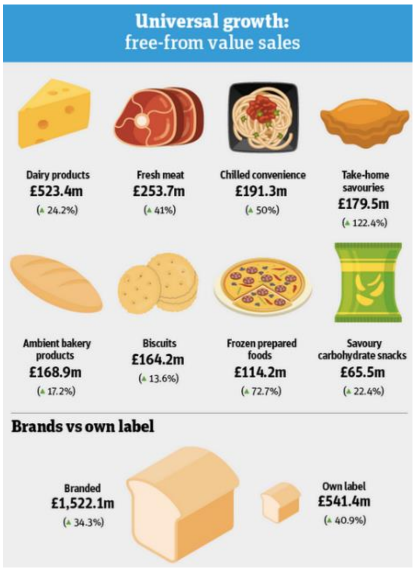
Source: The Grocer, Kantar 52/w/e 14 July 2019

4.2.7. Free From

Free from is now a universal category with 97% of households regularly buying food or drink marketed as being free from. The Category sales are now up 36%, pushing through the £2bn mark. Half of consumers who buy into the market do so for their 'general health' as opposed to any specific allergy issue, with 37% of consumers doing so as a lifestyle choice.
Driven by the consumer health agenda, the market is now becoming more about what ranges do contain as opposed to what they do not. Almond and oat milks for example are considered free from despite containing nuts; the focus is on the positives of their nutritional content, and the associated health benefits. Consumers want to make proactive, informed choices as opposed to eliminating anything.

Source: Kantar 52 w/e 24 March & May 2019, The Grocer





4.2.8. Protein

- The UK consumer enjoyed 1.65 billion kg of **Protein** in the past year, with consumption rising 3.9% over five years
- Poultry, eggs and dairy are the main contributors to growth, along with the sports nutrition market, now worth £155.6m
- Value sales of protein bars are up 21.7% to £32.3m, with protein powder up 5.1% to £17.9m
- Younger consumers are driving the change with Protein now widely recognised as healthy
- Its role has evolved from niche muscle building to a more mainstream health focus, as consumers choose more natural proteins to satisfy their nutritional needs, rather than tailored sporting products

Source: Kantar 260 w/e 16 June 2019

4.2.9. Organic

- The **UK Organic Food Retail** market was worth £2.45bn in 2019 and grew by +4.5%, its 10th consecutive year of growth
- Organic is small and was worth 1.5% of the UK Total Grocery food and drink sector in 2018
- There is consumer demand for Organic products, driven by environmental and health concerns that have intensified due to the pandemic. 2020 is on track to achieve £2.6bn by the end of the year
- Over 12m Brits are more likely to buy Organic than they were before the Covid crisis
- The **UK Organic Food & Drink service market** is worth £84.4m and grew +10.2%, being driven by consumer demand for ethical and sustainable credentials

Source: Soil Association Organic Market report 2020.

Nielsen 52 w/e 3rd October 2020.

Bord Bia Organic Survey.

4.2.10. Gourmet Get Together

- Consumers are seeking out social get-togethers to share and enjoy fun, innovative and experimental dishes with friends and family
- Inspired by their travels and eating out, they are seeking out food that is good for them but also indulging every now and then
- They are re-creating classical dishes with modern, imaginative twists and world food cuisines at home
- These are social sharing experiences that include drinks and accompaniments

Source: Bidfood

4.2.11. Halal

- Halal means 'permissible' in Arabic and is a term used to describe anything permitted under Islamic law as prescribed by the Qur'an
- The UK Halal market is worth £3.5 billion and is growing
- It is believed by the Food Standards Agency (FSA) that of a total of 16m animals that are killed per week, 51% of the lamb, 31% of chicken and 7% of beef is now religiously killed
- In Britain, the percentage of Halal meat that is produced has rapidly grown beyond the requirements of the Muslim population
- Halal food items are now mainstream as they have evolved from being an identification mark of religious observation to assurance of food safety, hygiene and reliability

Source: Asian Express 2019, Business wire 2019

4.2.12. Seamless Shopping & Social Media

- Shoppers are more device dependent and mobile savvy. Physical stores are now more digitalized to compete with the expansion of e-commerce
- Retailers are creating a blend of physical and online shopping environments to maximise sales
- Social media influencers are driving the health and sustainability agenda and are impacting how consumers are engaging with products and brands
- Media is the new shop window; customers can be shopping and making purchase decisions anywhere at any time
- Understanding the digital shopping journey and how to fulfil their needs is key

Source: IGD

4.2.13. Food Service Market Trends

1. Sustainability
Re-thinking the way food is produced, preserved, shipped and consumed

2. Naturally good
Eating a natural, healthy diet

3. Locavore
A focus on freshness & transparency
Globalisation - growing demand for international cuisines

4. Convenience
Home delivery is booming and changing the landscape of bricks and mortar stores and restaurants. Digital services are growing rapidly

5. Attractive places
Offering 'experiences' that are engaging and 'shareable'

6. The Flexitarian Diet
A shift towards the reduction in meat consumption

With ordering in being the new out-of-home opportunity, menu innovation needs to focus on healthy choices as well as broadening consumers' at-home experiences. With a 'discount mindset' likely to persist in the face of tighter household budgets and rising unemployment in the UK, the Food Service vendors need to remain agile and adapt to changing consumer needs to stay top of mind.

Consumers are looking to replicate other out-of-home experiences in-home, and a key opportunity is to focus on driving customer loyalty through complementary elements such as desserts and drinks.

4.2.14. The Brits Love Coffee

Hot Coffee represents 80% of Hot Beverages spend globally, and the UK accounts for 51% of that value - the market with the greatest impact globally. Hot Coffee spend per occasion grew faster in the UK than in any other market globally. The proliferation of coffee shops and cafes represents 42% of all spend, +5% in spend per occasion. Premiumisation in the Coffee Shop channel is driving value by encouraging customers to move from 'classic' serves – such as americanos and cappuccinos – to more expensive, newer offers like flat whites and Frappuccinos.

Source: Kantar Winning Food & Drink occasions out of home Nov 19

4.3. TECHNOLOGY

With consumers increasingly cautious in the wake of Covid-19, advancements in technology are crucial to the expanding Food Service industry.

Voice recognition is playing a key role here with some vendors integrating virtual assistant-based functions to their services. Vendors can now rely on automated processes to handle voice orders from mobile apps, kiosks and drive-throughs.

Coupled with this there are now self-ordering systems that feature facial recognition technology. An AI-powered platform makes suggestions based on a customer's previous orders that are stored in the system and linked to facial geometry.

The focus for customers is on hygiene, efficiency and being able to re-create that restaurant experience in the home; the food service industry is reliant on technology to support these growing needs.

Source: TH_Q Technology & Business

5. Labelling & Regulations

5.1. FOOD LABELLING REQUIREMENTS

Pre-packed Food Labelling Requirements

- The name of the food
- A Best Before or Use By date
- Necessary warnings e.g. Contains Nuts
- Net quantity information (g, kg, ml, litres)
- List of ingredients and nutritional declaration
- Name and address of business owner
- Country of Origin: Meat & Poultry, Fish, Honey, Olive Oil, Wine, Fresh fruits and vegetables
- Lot number for traceability
- Storage conditions
- Instructions for use or cooking
- Alcohol strength by volume for beverages +1.2% of alcohol

Food Catering Labelling Requirements

- Businesses are required to provide allergen and intolerance information to customers
- They are not required to provide a full ingredients list

www.Food.Gov.uk/business-guidance/packaging-and-labelling for the UK
www.fsai.ie/legislation/food_legislation/food_information_fic/food_information-fic.html for Ireland

5.2. FOOD ACCREDITATION REQUIREMENTS

To trade with major retailers, food safety certification regarding the production environment is required:
BRC (BRITISH RETAIL CONSORTIUM) is a Global standard and is the leading certification programme for manufacturers trading with retailers who usually expect a Grade A certification: www.brcglobalstandards.com.
Other globally equivalent accreditation schemes that may be accepted include:
FSSC 22000
ISO 22000
SQF Level 2 or 3
IFS
HACCP (Hazard Analysis Critical Control Point) documentation is a requirement for smaller manufacturers and accepted by Food Halls and smaller retailer chains or independent retailers.

Since 6 April 2018 soft drinks have been impacted by the Soft Drinks Industry Levy, or the 'Sugar Tax'.
This levy will affect any added sugar drinks with a sugar content greater than 5g per litre or 8g per litre and could result in customers paying 18p or 24p more per litre respectively. The tax is on manufacturers and not on the customer.

There are three ways manufacturers can tackle this:

1. Product reformulation
2. Pack size reduction
3. Pass the price increase on to customer

6. Awards

Quality food awards are a key measure of success for food and drink manufacturers and are especially highly regarded in the specialty food market.

The awards offer companies the chance to showcase their commitment to excellent quality before key industry stakeholders and retail buyers.

- Great Taste awards – specialty foods
- Free From awards – foods targeting dietary requirements
- Quality Food & Drink awards – mainstream retail

Sources: http://gff.co.uk/awards/great-taste-awards/, https://www.freefromfoodawards.co.uk/how-to-enter.html

7. Trade Shows

7.1. UK & IRELAND FOOD AND DRINK TRADE SHOWS

Trade shows help companies establish new trade contacts and gauge product interest.
The key industry events in the UK are:

Food Service	Food Grocery (Retail)	Food & Drink shows
Hotel Restaurant & Catering Show **Excel London** **www.hrc.co.uk** Runs every two years. The UK's largest event for the hospitality and foodservice industry.	**Speciality & Fine Food Fair** **Olympia London** **www.specialityandfinefoodfairs.co.uk** Runs annually. The Fair is the centre of excellence for the high-end food and drink world, as well as a chance to learn and be inspired by top retail specialists and industry disruptors. Innovative and inspiring products are showcased in the Discovery Zone.	**Food Matters Live** **www.foodmatterslive.com** A global community where food, health and innovation meet. Connecting like-minded people working in food, drink and nutrition across a series of events and an ever-expanding global digital audience. The unique events provide a platform to share game-changing ideas, innovations and insights. A dedicated digital platform presents the latest news, views and insights from the industry. The ambition is to change the future of food and drink and the health of the planet for the better. The event brings together a variety of food and drink manufacturers and ingredient suppliers.
Casual Dining Show **Excel London** **www.casualdiningshow.co.uk** Casual Dining gives senior decision makers from restaurants, pubs and bars, hotels and contract caterers the unique opportunity to discover new products and trends for their business, and hear keynotes from the biggest names in foodservice, all whilst networking with key players in the industry.	**Food and Drink Expo** **NEC, Birmingham** **www.foodanddrinkexpo.co.uk** Running every two years, the Food and Drink Expo will run alongside Foodex, The Ingredients Show, National Convenience Show and Farm Shop & Deli Show.	**Lunch!** **Excel London** **www.lunchshow.co.uk** Lunch! is a truly unique trade show that brings together the entire food-to-go industry under one roof. Packed full of everything you need to take your café, sandwich bar or coffee shop business to the next level – from delicious new food and drink and innovative packaging solutions to leading keynotes and unrivalled networking.
Independent Hotel Show **Olympia, London** **www.independenthotelshow.co.uk** The only industry event dedicated entirely to the needs of luxury and boutique hoteliers.	**IFE (International Food Drink and Hospitality Expo)** **Excel, London** **www.ife.co.uk** Runs every two years. 2019 attracted 25,000 attendees from 111 countries, with 1250 exhibiting companies doing business face-to-face with an audience of top retailers, foodservice buyers, wholesalers, distributors, importers, exporters and manufacturers.	**The Allergy & Free From Show** **Excel, London** **www.allergyshow.co.uk/london** The world's largest free from celebration where you will find brand new choices of food and drink, plus ground-breaking home products and health solutions.

8. Checklist to Trade

8.1. ‘MUST HAVES’ TO TRADE WITH THE UK AND IRELAND

- Compliant Food Safety accreditation for the target channel/retailer
- Compliant Food Labelling
- Public and Product Liability Insurance covering sales in the local market
- Understanding of Import and Inspection procedures (import duty, tax) – www.hmrc.gov.uk / www.revenue.ie
- Groundwork for the local market – market study: competition, USPs, pricing, target market, sales strategy (target retailers), margin expectations, minimum shelf life, minimum order quantities, delivery cycles and timelines, shelf position, pack size and shelf ready packaging, understanding of UK Value Added Tax
- Target Distributor and/or Logistics solution identified
- Sales pitch in English
- Marketing materials for local markets e.g. Website/social media in English
- Marketing budget
- Local resource to give insights on the market and ways of ‘doing business’
- Resource - Account Management, Marketing, Logistics & Production planning

9. Preparing for Market Entry

9.1. ROUTE TO MARKET – BUYING STRUCTURES AND KEY PLAYERS

9.1.1. Grocery Market Entry

It is common practice to enter the market by supplying food halls, delicatessens and independent retailers and online retailers. Once a sales volume and record of accomplishment has been established, it is then possible to attempt listings in smaller retail chains and ultimately progress to supply the four key supermarket chains:

SPECIALITY FOOD RETAILERS | ONLINE & SMALL RETAILERS | QUALITY FOOD RETAILERS | VALUE & VOLUME FOCUSED RETAILERS

9.1.2. Supermarkets

- The market is dominated by a few retailers with strong market penetration
- It is very common to supply UK retailers direct; listings will be awarded by the Retail Buyer
- Centralised distribution networks mean products can easily be widely distributed
- The major supermarket chains demand significant volume and the highly competitive nature of the market means access can initially be difficult
- Listings must show positive results in a short time or products will be de-listed
- In order to win the buyer over, companies must understand and demonstrate:
  - Their Category positioning, Category dynamics & trends
  - Who is the Customer?
  - Pricing & promotional strategy
  - The incremental sales opportunity
  - Unique selling points vs the competition

Republic of Ireland Supermarkets

- **Dunnes Stores, Tesco, Aldi and Lidl offer the potential for national listings**
  It is possible for a producer to supply only a small number of stores. Some retailers have specific regional buyers in place who can advise new, smaller suppliers who wish to supply on a limited store basis. Dunnes - stock is delivered direct to individual stores via a distributor.

- **Musgraves / SuperValu & Centra**
  Individual store owners/managers have the discretion to buy directly; this offers opportunities to smaller manufacturers, however stores can only source around 5% of their range outside of the centrally listed range. SuperValu & Musgraves generally seek a listing at head office (central billing), which offers greater access to the network of stores nationwide and distribution through their own network to stores. However, it is still necessary to market products to individual store owners as well as the central buyer, to ensure uptake at store level. This is exceptionally challenging and costly. Some retailers also require a long-term incentive or over-rider of potentially 10%.

- **Route to market**
  Direct to retail & via a distributor. Direct to retailer is usually only possible with larger volumes. Distributors require between 10-28% margin depending on the services they offer. Considering the market structure, a business needs sales & account management, merchandising and logistics services. These businesses can be challenging to manage, and so resource in the country is recommended to develop relationships and implement marketing activities and events to drive sales with both retailers and consumers.

- **Distributors* include: Total Brand Solutions, Europa Foods, Tennent & Russell, Stafford & Lynch, D2R**
  It is crucial to understand the services the distributor will provide before entering into a supply agreement.

9.1.3. Speciality Food Retailers

- It is common to use a distributor when supplying the food halls and independent retailers, however it is also possible to supply them directly
- It is important to understand which distributors are used by your target retailer
- A sales process is required to develop listings with both the distributor and the retailer
- In order to win the listings, companies must understand and demonstrate:
  - Their Category positioning, Category dynamics & trends
  - Who is the Customer?
  - Pricing & promotional strategy
  - The incremental sales opportunity
  - Unique selling points vs the competition

9.1.4. Distribution

There are two options to supply retail:

- Via a distributor
- Directly to retailer

Via Distributor

Key players in the distribution sector are:

TREE OF LIFE Making health easy · Buckley & Beale World Food · blakemore fine foods · COTSWOLD FAYRE · MARIGOLD Health Foods · Hider The Fine Food Family · RH AMAR Famous for Fine Foods · taste by BoroughBox

The positives and negatives of using distributors:

Positives	Negatives
✓ Sales Function ✓ Reach the independent retailers ✓ Consolidation and single invoicing	× Higher retail price to cover margin requirements × Catalogue and advertising fees × Trade show funding × Volumes usually not guaranteed × Lack of customer insight / sales data and access to the customer

Direct to the Retailer

- When supplying the major retailers in the UK, you will be delivering into the retailers' Central Distribution Centres, not direct to store
- Everything is managed centrally by the commercial teams at the head office (Buyers & Supply Chain managers)
  - ✓ Valid Purchase Order
  - ✓ Delivery Paperwork
  - ✓ Date and sometimes a specific time window
  - ✓ Checking in, in advance of delivery
  - ✓ Pallet restrictions – format, height and weight

Logistics Service Providers offer added value services in the retail sector

Logistics companies offer added value services to manufacturers, which help them to optimise their supply chain operations e.g. warehousing, processing and consolidating small volume orders.
They are purely operational and rarely have a sales team.

Services available:

- ✓ Storage
- ✓ Date coding
- ✓ Re-packing
- ✓ Frozen to chill tempering
- ✓ Promotional stickering
- ✓ Consolidation
- ✓ EDI order management
- ✓ Delivery Paperwork

UK Logistics companies include:

- ✓ NFT
- ✓ Turners
- ✓ Eddie Stobart
- ✓ Oakland
- ✓ Culina (chilled)
- ✓ Great Bear (ambient)
- ✓ Armstrong Logistics
- ✓ PW Gates
- ✓ Rick Bestwick

9.1.5. Food Service

- There are two main ways to enter the UK catering market. Some companies go direct, but the most popular way is through an intermediary such as a UK-based importer or wholesaler
- There are a large number of small companies operating in the catering market: intermediaries who are skilled at filling small orders and who play a crucial role in the distribution of products
- Smaller outlets are likely to purchase from wholesalers or cash & carrys

There are three types of distributors in the Food Service market:

1. **Food service operators** including kitchen operations and meal preparation e.g. Compass Group, Sodexo, Whitbread
2. **Wholesalers** – supply to independent pubs, restaurants and hotels e.g. 3663 First for Foodservice, Brakes, Sodexo and Compass Group
3. **Distributors** offer a delivery service solution e.g. 3663 and Brakes

Profiles of Key Players

The largest food service operators in the UK are Bidfood, Brakes, Compass Group, Aramark, Mitchells & Butlers, Sodexo and Whitbread:

Brakes
A food and distribution company supplying food, drink and other products mainly to the catering industry in the UK through more than 20 distribution centres. It provides delivered wholesale and contract logistical services. www.brake.co.uk

Compass Group
The UK & Ireland market leader in contract catering. www.compass-group.co.uk

Bidfood
Supplies more than 13,000 products to over 45,000 caterers and food service businesses around the UK. www.bidfood.co.uk

Mitchells & Butlers
Runs circa 1,784 managed pubs, bars and restaurants throughout the United Kingdom. www.mbplc.com

Sodexo
Sodexo offerings range from food service operations including staff restaurants, catering, executive dining, vending and meal delivery, to integrated facilities management services.
uk.sodexo.com

Whitbread
The UK's leading hotel operator is also a restaurant company. Its largest division is Premier Inn, the largest hotel brand in the UK with over 785 hotels and 72,000 rooms. Whitbread's brands include the restaurant chains Beefeater, Brewers Fayre and Table Table.
www.whitbread.co.uk

Aramark
An American food service, facilities and uniform services provider to clients in areas including education, healthcare, business, corrections and leisure. The Irish retail chain Avoca is part of the group.
www.aramark.co.uk

Wholesalers – Key Players

- The total market for Wholesalers was valued at £27.7 million in 2017 and is growing +1.5% year on year. Wholesalers operate in distribution, retail and food service
- The **Key Wholesalers** include Booker, Brakes, Bidfood, Costco and Bestway. See appendix for the Top 30 wholesalers in the UK in 2018
- The **Key Buying Groups** include Booker, SPAR and Unitas

Booker is a wholesaler for independent retailers and caterers and the leading provider of cash & carry wholesaling in the UK. Stocking c. 20,000 SKUs, driven by their broad business operations.
They have 196 depots and employ just under 64,000 staff, operating cash & carrys and a national delivery service.
The Group includes Booker Wholesale, Makro, Booker Direct, Classic Drinks, Ritter Courivaud, Chef Direct, Premier, Family Shopper, Budgens, Londis, Booker India, One Stop and Tesco Express.

9.1.6. Route to Market Summary

- High-end independent specialists are an obvious target for small companies entering the market for the first time
- Urban shops often focus on high quality, convenience, premium priced products sourced locally, nationally and internationally, while rural outlets often support local producers and producers of an artisan nature
- For some companies a strategy of just supplying independent high-end stores can be profitable, particularly if the company does not have the capability of producing high volume products
- Your choice of route to market depends on your business objectives; the fundamental question is which route will be most effective at introducing your product to the consumer you are targeting

9.2. COMMERCIAL POSITIONING

Food Grocery Supermarkets (non-VATable product)

£2.50
Retail Price

£1.50
Cost Price

£1 / 40%
Retail Margin

	Proposed Retail Selling Price	UK VAT Rate	VAT £	Net Retail Price	Sell Price to Retailer	Retail Margin £	Retail Margin %
Luxury Crisps	£2.50	0%	£0.00	£2.50	£1.50	£1.00	40%
Calculation				Retail Price		Net Retail Price less Sell price to retailer	Retail Margin £ / Net Retail Price

Food Grocery Supermarkets (VATable product)

£5.00
Retail Price

£2.50
Cost Price

£1.67/ 40%
Retail Margin

	Proposed Retail Selling Price	UK VAT Rate	VAT £	Net Retail Price	Sell Price to Retailer	Retail Margin £	Retail Margin %
Enrobed Chocolate Swiss Biscuits	£5.00	20%	£1.00	£4.17	£2.50	£1.67	40%
Calculation				Retail Price / 1.2		Net Retail Price less Sell price to retailer	Retail Margin £ / Net Retail Price

No **VAT is charged** on plain **biscuits** or cakes. But when **a biscuit** is covered in **chocolate it** becomes a luxury and **standard rate VAT** at 20% is added to the price.
The way in which retailers calculate **Retail Margin inc VAT** can vary. During your discussions it is important that you understand their specific ways of working.

Food Grocery Commercials – Speciality Food Halls / Independents

£2.60
Retail Price

£0.34 / 25%
Distributor
Margin

£0.74 / 35%
Retail
Margin

	Proposed Retail Selling Price	UK VAT Rate	VAT £	Net Retail Price	Sell Price to Retailer	Retail Margin £	Retail Margin %	Sell Price to Distributor	Distributor Margin £	Distributor Margin %
Swiss Chocolate Bar	£ 2.60	20%	£ 0.43	£ 2.17	£ 1.37	£ 0.74	35%	£ 1.03	£ 0.34	25%

Calculation				Retail Price / 1.2		Net Retail Price less Sell price to retailer	Retail Margin £ / Net Retail Price		Sell price to retailer less sell price to distributor	Distributor margin £/ Sell Price to retailer

9.3. WINNING WITH RETAILERS

9.3.1. What is Important to Buyers?

1. Customer focus
Buyers are incredibly customer focused.

- Understanding who their customers are
- What is important to their customers?
- What are their needs and how can they best be served?

2. A clear point of difference, balancing quality, price and service to find the perfect harmony for their customers and a better price or quality positioning to enable them to win customers over.

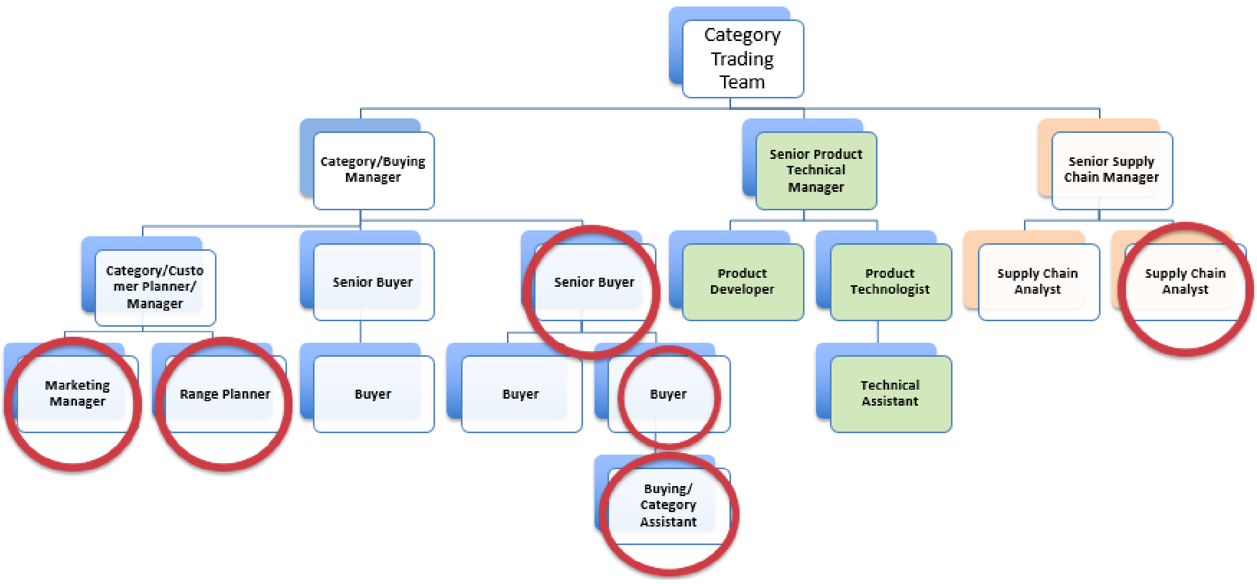
3. Technical accreditation & ethical standards

4. Consistency – a consistent product quality, which customers expect.

5. Great availability of stock - in order to achieve this they need **great Supplier service.**

9.3.2. Typical Retail Commercial Team

Identifying and creating a relationship with the **key members** of the buying teams will ensure you maintain **great channels of communication**, essential for a successful Retail/Manufacturer relationship.



9.3.3. Retail Commercial Team Roles and Responsibilities

The **responsibilities and key performance indicators** of each member of the commercial team are outlined below. It is important to ensure you engage with the right people in the team to get the best out of your trading relationship.

Role	Key KPI's	Responsibility
Buyer	• Sales • Profit • Market Share	• Category strategy • Buying the Master assortment (full range) • Supplier management • Promotional planning (not space) • Cost Negotiations
Range Planning	• Trading Intensity • Balanced financial scorecard • Operational compliance e.g. case fill rules	• Right store, right range (allocating the master assortment) • Planograms • Merchandising principles • Work in partnership with the buyer to deliver best possible financial performance whilst delivering the required customer choice. Analyses performance & makes recommendations to Buyer
Supply Chain	• Availability • Waste	• Forecast and Order • Balance the availability, stock and product wastage • Supply Chain relationship with Supplier to ensure supplier service targets are achieved.
Category Planning	• Management of Category strategy/planning process • Promotional plan/space • Marketing activation	• Implementation of category plan • Buyer co-ordination of strategy • Representative of category within Marketing

9.3.4. Winning over the Buyer

To win over a Retail Buyer, it is important to **understand your Customer and the Market** you are operating in:

- Is the category in growth or decline and what is driving the trends?
- Who is your customer?
- What are the barriers to purchase? and How can you overcome these?
- What ideas do you have to help drive sales?
- How will your product grow the buyers' profit?
- Will your product bring new customers to the category? Or bring back customers who have stopped shopping the category? Or will your product get customers to trade up to a more premium product, delivering more profit margin?
- Who is your competition?
- Taste is vital - if the Buyer likes the product, they are likely to sell it. If they don't, it will be a hard sell. Ensure your product sample delivers and is a match to what you can achieve in production. Benchmark your product vs your competition as the Buyer is likely to do so - including own brand. Don't just look at brands as competitors!

10. Appendix

10.1. UK GROCERY RETAIL STORE NUMBERS

SUPERMARKETS

Stores over 3,000 sq ft

STORES 2017	STORES 2018	CHANGE	CHANGE %
5,881	5,944	63	1.1

Co-operative societies	Stores 2017	Stores 2018	Change	Change %
Co-op Group	615	620	5	0.8
Central England	63	64	1	1.6
Midcounties	45	46	1	2.2
East of England	50	53	3	6.0
Lincolnshire	15	14	-1	-6.7
Scotmid	34	41	7	20.6
Southern	19	20	1	5.3
Channel Islands	16	16	0	0.0
Heart of England	6	6	0	0.0
Chelmsford	6	6	0	0.0
Other co-ops	7	7	0	0.0
Total	**876**	**893**	**17**	**1.9**

Multiples	Stores 2017	Stores 2018	Change	Change %
Asda	584	588	4	0.7
Booths	28	28	0	0.0
CKs	22	24	2	9.1
Farmfoods	330	331	1	0.3
Frozen Value	108	107	-1	-0.9
Iceland	884	934	50	5.7
M&S	301	293	-8	-2.7
Morrisons	491	494	3	0.6
Sainsbury's	827	835	8	1.0
Tesco	926	923	-3	-0.3
Waitrose	326	317	-9	-2.8
Total	**4,827**	**4,874**	**47**	**1.0**

Symbols	Stores 2017	Stores 2018	Change	Change %
Budgens	53	49	-4	-7.5
Eurospar	57	62	5	8.8
SuperValu	36	36	0	0.0
Total	**146**	**147**	**1**	**0.7**
Other small chains & independents (inc Wholefoods and larger Nisa members)	32	30	-2	-6.3

DISCOUNTERS

STORES 2017	STORES 2018	CHANGE	CHANGE %
4,302	4,685	383	8.9

	Stores 2017	Stores 2018	Change	Change %
Aldi	708	826	118	16.7
Lidl	650	775	125	19.2
B&M (inc Heron Foods)	539	913	374	69.4
Home Bargains	426	538	112	26.3
Poundland	840	820	-20	-2.4
Poundstretcher	383	390	7	1.8
Poundworld	355	0	-355	-100.0
Wilkinsons	401	423	22	5.5
Total	**4,302**	**4,685**	**383**	**8.9**

CONVENIENCE

Stores to 3,000 sq ft

STORES 2017	STORES 2018	CHANGE	CHANGE %
42,238	42,091	-147	-0.3

CONVENIENCE STORES

Co-operative societies	Stores 2017	Stores 2018	Change	Change %
Co-op Group	1,914	1,968	54	2.8
Of which forecourts	*143*	*138*	*-5*	*-3.5*
Midcounties	178	180	2	1.1
Southern	197	184	-13	-6.6
Of which forecourts	*5*	*5*	*0*	*0.0*
Scotmid	150	145	-5	-3.3
Central England	176	178	2	1.1
Of which forecourts	*22*	*22*	*0*	*0.0*
East of England	87	90	3	3.4
Lincolnshire	67	71	4	6.0
Of which forecourts	*5*	*5*	*0*	*0.0*
Chelmsford	33	33	0	0.0
Of which forecourts	*1*	*1*	*0*	*0.0*
Heart of England	25	26	1	4.0
Tamworth	11	12	1	9.1
Others	34	34	0	0.0
Total	**2,872**	**2,921**	**49**	**1.7**
Of which forecourts	**176**	**171**	**-5**	**-2.8**

Multiple retailers	Stores 2017	Stores 2018	Change	Change %
Tesco (Express, One Stop & One Stop franchise)	2,507	2,512	5	0.2
Of which forecourts	*216*	*216*	*0*	*0.0*
McColl's	1,099	1,242	143	13.0
Of which forecourts	*7*	*7*	*0*	*0.0*
Sainsbury's Local	595	605	10	1.7
Of which forecourts	*30*	*15*	*-15*	*-50.0*
M&S Simply Food (inc BP)	658	714	56	8.5
Of which forecourts	*252*	*274*	*22*	*8.7*
Checkers Xpress (Sandpiper)	22	10	-12	-54.5
Whistlestop (SSP)	21	15	-6	-28.6
Jones Convenience Stores	12	8	-4	-33.3
Little Waitrose	66	62	-4	-6.1
Of which forecourts	*27*	*28*	*1*	*3.7*
Asda	23	23	0	0.0
Of which forecourts	*23*	*23*	*0*	*0.0*
Morrisons	16	34	18	112.5
Of which forecourts	*16*	*34*	*18*	*112.5*
Total	**5,019**	**5,225**	**206**	**4.1**
Of which forecourts	**571**	**597**	**26**	**4.6**

Symbols	Stores 2017	Stores 2018	Change	Change %
Bestway (BestOne, Select & Central Convenience)	1,597	2,000	403	25.2
Of which forecourts	*124*	*149*	*25*	*20.2*
Booker (Premier, Londis, Budgens, Family Shopper)	5,390	5,556	166	3.1
Of which forecourts	*948*	*1,145*	*197*	*20.8*
Costcutter (Costcutter, Mace, kwiksave)	2,200	1,776	-424	-19.3
Of which forecourts	*368*	*318*	*-50*	*-13.6*
Henderson (Vivo etc)	79	75	-4	-5.1
Of which forecourts	*10*	*10*	*0*	*0.0*
Filshill (Key Store)	166	170	4	2.4
Landmark (Lifestyle Express)	1,490	761	-729	-48.9
Of which forecourts	*19*	*20*	*1*	*5.3*
Musgrave (Centra, Daybreak, Mace)	178	175	-3	-1.7
Nisa (Nisa, Loco)	1,049	975	-74	-7.1
Of which forecourts	*107*	*104*	*-3*	*-2.8*
Parfetts (Go Local, Go Local Extra)	249	354	105	42.2
Select & Save	78	78	0	0.0
Simply Fresh	84	85	1	1.2
Of which forecourts	*2*	*2*	*0*	*0.0*
SPAR	2,474	2,555	81	3.3
Of which Appleby Westward owned	*63*	*63*	*0*	*0.0*
Of which Blakemore owned	*296*	*282*	*-14*	*-4.7*
Of which CJ Lang owned	*112*	*118*	*6*	*5.4*
Of which Henderson owned	*79*	*86*	*7*	*8.9*
Of which James Hall owned	*111*	*117*	*6*	*5.4*
Of SPAR total forecourts	*1,115*	*1,106*	*-9*	*-0.8*
Today's (Today's, Day Today)	472	490	18	3.8
Of which forecourts	*8*	*10*	*2*	*25.0*
Total	**15,506**	**15,050**	**-456**	**-2.9**
Of which forecourts	**2,701**	**2,864**	**163**	**6.0**
Unaffiliated Independents	18,841	18,895	54	0.3

FORECOURTS

STORES 2017	STORES 2018	CHANGE	CHANGE %
7,214	7,177	-37	-0.5

Multiple grocers	Stores 2017	Stores 2018	Change	Change %
Asda	56	62	6	10.7
Co-op Group	150	145	-5	-3.3
Morrisons	318	330	12	3.8
Sainsbury's	278	302	24	8.6
Tesco	485	485	0	0.0
Waitrose	32	32	0	0.0
Other Co-ops	52	51	-1	-1.9
Total	**1,371**	**1,407**	**36**	**2.6**

Oil Companies - company owned	Stores 2017	Stores 2018	Change	Change %
BP (inc Simply Food)	313	312	-1	-0.3
Shell	569	525	-44	-7.7
Harvest	0	81	81	N/A
Maxol	24	30	6	25.0
Total	**906**	**948**	**42**	**4.6**

Multiple dealers	Stores 2017	Stores 2018	Change	Change %
MRH	480	0	-480	-100.0
MFG	405	885	480	118.5
Euro Garages	372	375	3	0.8
Rontec	241	240	-1	-0.4
Applegreen	72	97	25	34.7
HKS	68	0	-68	-100.0
Park Garage Group	48	56	8	16.7
Penny Petroleum	40	42	2	5.0
Highland Fuels	16	14	-2	-12.5
MPK Garages	28	29	1	3.6
Platinum Retail	29	29	0	0.0
Krisco Seyon	20	20	0	0.0
Golden Cross	17	3	-14	-82.4
Cornwall Garage Group	17	18	1	5.9
The Kay Group	18	20	2	11.1
Brookfield Group	16	16	0	0.0
Valli	14	14	0	0.0
Highway Stops	13	11	-2	-15.4
Hills of Corby	13	13	0	0.0
Sewell	12	13	1	8.3
Falcon Sharma	12	12	0	0.0
Local Fuels	12	12	0	0.0
Manor Service Stations	12	2	-10	-83.3
AY&Y Patel	11	11	0	0.0
Refuel & Go	11	8	-3	-27.3
Majid & Sons	10	10	0	0.0
DK Forecourts	10	10	0	0.0
SK Fuel	10	10	0	0.0
Total	**2,027**	**1,970**	**-57**	**-2.8**
Independent dealers	2,910	2,852	-58	-2.0

IGD RetailAnalysis

UK GROCERY STORE NUMBERS

2018

For further insight visit **retailanalysis.igd.com**

Sources: IGD Survey, IGD Datacentre & Experian Catalist

10.2. THE BIG UK WHOLESALERS

THE BIG 30 WHOLESALERS 2020

RANK 2020	RANK 2019	NAME	BUYING GROUP	OFFER	DEPOTS	STAFF	TURNOVER (£M)	TURNOVER change %	PROFITS (£M)	PROFITS change %	MARGIN %	FINANCIAL PERIOD
				TOTAL	**601**	**67,546**	**25,882**	**3.3%**	**459.7**	**64.2%**	**1.8%**	
1	1	**Booker**	n/a	C&C,D,F	197	12,891	5,927	**6.8%**	200.0	**3.1%**	3.4%	24.02.19
2	2	**Brakes**	n/a	F	28	6,426	4,193	**4.9%**	39.3	**-2.6%**	0.9%	30.06.18
3	4	**Costco Wholesale UK**	n/a	C&C	29	6,727	2,545	**7.8%**	20.6	**228.4%**	0.8%	02.09.18
4	5	**Bestway Wholesale**	n/a	C&C,D,F	62	6,240	1,984	**-4.5%**	24.4	**-2.0%**	1.2%	30.06.18
5	6	**Connect Group**	n/a	n/a	39	4,684	1,468	**-4.3%**	23.2	**-18.3%**	1.6%	31.08.19
6	3	**Bidfood UK**	n/a	F	41	6,182	1,424	**8.0%**	63.8	**12.5%**	4.5%	30.06.18
7	7	**AF Blakemore & Son**	Spar/Unitas/CR*	D,F	10	7,618	1,107	**4.6%**	6.0	**n/a**	0.5%	30.04.19
8	9	**Menzies Distribution**	n/a	C&C,D,F	57	2,966	937	**-10.6%**	-22.7	**n/a**	-2.4%	31.12.18
9	8	**Matthew Clark Bibendum**	C&C	D	13	1,811	857	**-19.1%**	4.7	**n/a**	0.5%	28.02.19
10	10	**Dhamecha Foods**	Unitas	C&C	9	633	794	**5.4%**	13.0	**8.3%**	1.6%	31.03.19
11	11	**James Hall & Co**	Spar	D	1	944	592	**7.2%**	5.4	**-9.0%**	0.9%	24.03.19
12	12	**Henderson Wholesale**	Spar/CR*	D,F	4	605	560	**5.4%**	19.8	**1.0%**	3.5%	21.12.19
13	14	**AG Parfett & Sons**	Unitas	C&C	7	626	380	**9.9%**	6.1	**21.4%**	1.6%	30.06.19
14	15	**Kitwave Wholesale Group**	Unitas	D,F	26	948	367	**7.4%**	3.5	**16.7%**	1.0%	30.04.19
15	16	**LWC Drinks**	n/a	D	15	880	300	**21.5%**	10.5	**2.1%**	3.5%	30.09.18
16	17	**United Wholesale Scotland**	Unitas	C&C,D	3	309	233	**4.5%**	1.7	**10.9%**	0.7%	31.12.18
17	20	**Reynolds Catering Supplies**	n/a	F	10	935	211	**4.8%**	7.4	**91.9%**	3.5%	31.12.18
18	21	**East End Foods**	Unitas	C&C,D,F	2	353	205	**7.2%**	15.3	**71.9%**	7.4%	30.04.19
19	19	**JJ Foodservice**	Unitas	D,F	11	789	202	**0.4%**	7.6	**102.8%**	3.8%	31.03.19
20	22	**CJ Lang & Son**	SPAR	D	1	1,953	188	**2.7%**	0.8	**55.9%**	0.4%	30.04.19
21	23	**Fairfax Meadow Europe**	n/a	F	3	604	174	**5.3%**	-1.3	**n/a**	-0.7%	31.12.18
22	24	**Enotria Winecellars**	n/a	D	9	282	172	**14.5%**	-4.9	**n/a**	-2.8%	31.12.18
23	25	**JW Filshill**	Unitas	C&C,D	1	211	155	**6.9%**	1.0	**7.3%**	0.6%	31.01.19
24	29	**United Wholesale Grocers**	Unitas	C&C	3	162	148	**19.6%**	2.0	**117.8%**	1.3%	31.12.18
25	26	**Hyperama**	Unitas	C&C,D,F	4	335	142	**0.8%**	1.4	**-9.2%**	1.0%	27.01.19
26	28	**HT Drinks**	Unitas	C&C,D	3	118	140	**10.8%**	1.7	**31.1%**	1.2%	31.03.19
27	27	**Appleby Westward Group**	Spar	D	2	175	133	**0.4%**	3.0	**10.5%**	2.3%	30.09.18
28	NEW	**Lynas Foodservice**	Caterforce	F	10	490	132	**13.5%**	2.7	**0.7%**	2.1%	31.10.17
29	NEW	**Castell Howell Foods**	Caterforce	F	n/a	582	128	**9.6%**	3.4	**-8.8%**	2.6%	31.10.18
30	30	**Time Wholesale Services**	Unitas	C&C	1	67	84	**24.9%**	0.5	**9.6%**	0.6%	21.01.20

Source: The Grocer/Companies House **Notes:** **Brakes:** 2017 figures annualised **Bidfood** Continuing operations only **Matthew Clark Bibendum** covers 30/4/2018 to 28/02/2019 * CR stands for Country Range

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