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Prepared By	Green Seed UK

The Green Seed Group

The Green Seed Group is a unique, international consulting network, specialising in the food & drink retail sector.

Our core services include international business and brand strategy, market research, sales and marketing solutions.

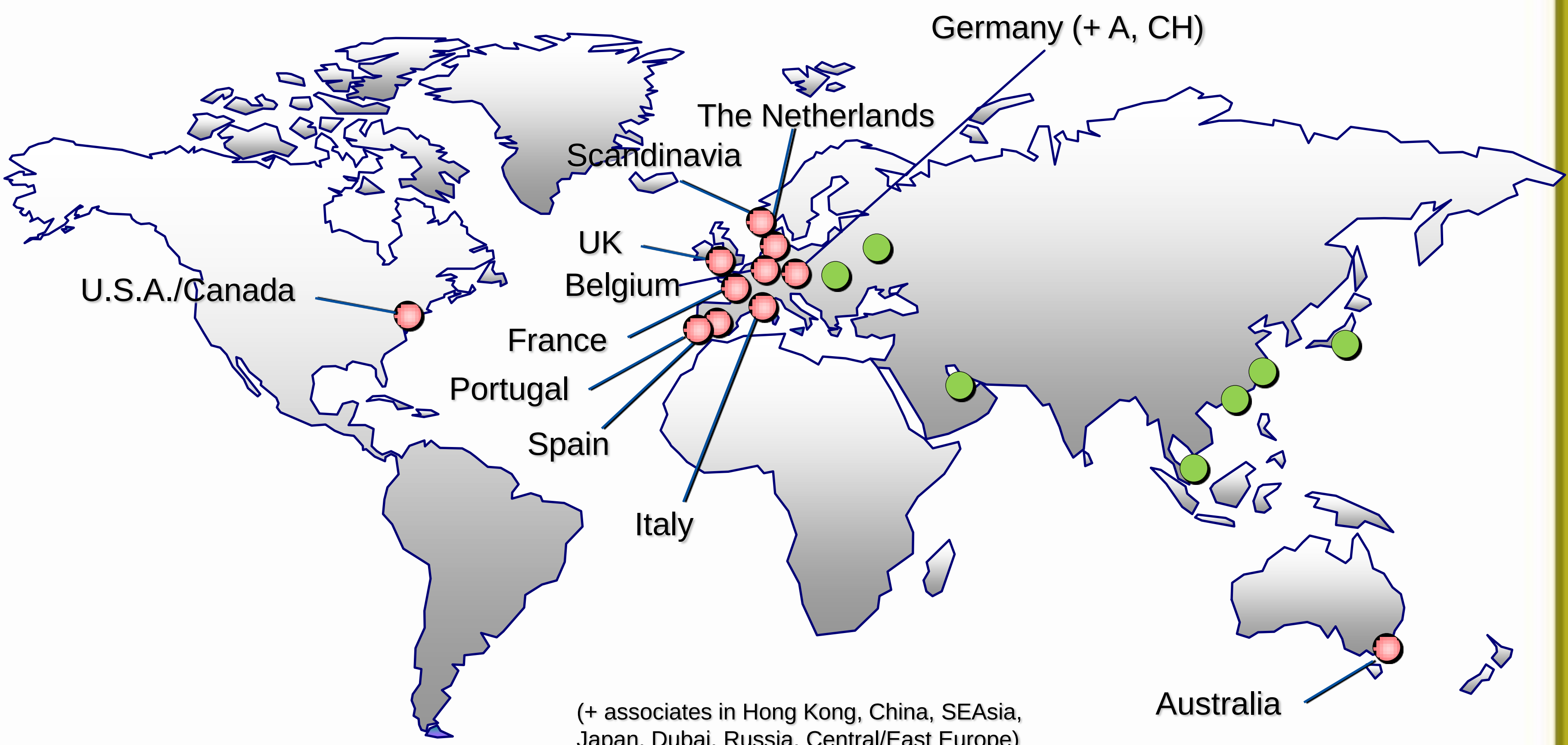
Our story began providing help exclusively for British food & drink companies, as the ‘Food From Britain International Network’.

Since we started business in 1991, we have assisted over 1,000 clients growing brands and selling products internationally.

Today the ‘Green Seed Group’ services food and drink companies from around the world. We are a unique network of 12 privately-held sales & marketing consultancies covering 19 countries across Europe, North America and Australia.

We Advise, We Execute & We Deliver

Green Seed Group – International Network



(+ associates in Hong Kong, China, SEAsia, Japan, Dubai, Russia, Central/East Europe)

Green Seed Services

We Advise, We Execute & We Deliver

THE UK IN CONTEXT

Country Summary

– **Area:** 243,610 sq. km

– **Capital City:** London

– **National Currency:** Pound sterling

– **Population (2010):** 62m inhabitants

– **Population Density:** 256 people/sq km

– **Ruling Party:** Conservative/Liberal Democrat Coalition

– **Prime Minister:** David Cameron

Source: CIA

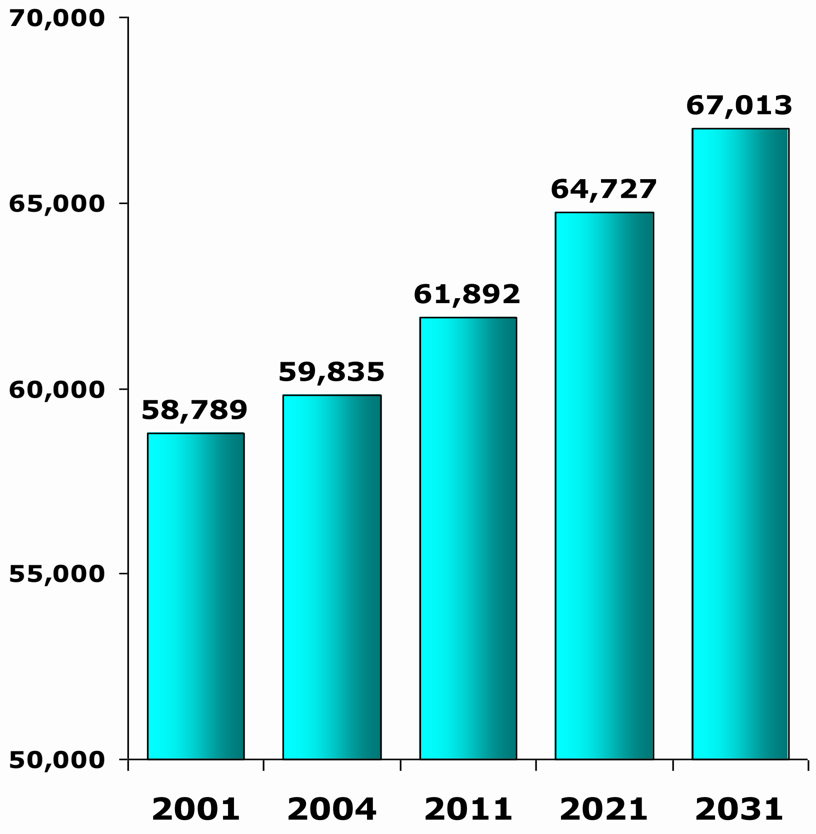
Demography: 10 most populated regions

Region	Capital	Population	Population /hectare	% Total Population
Greater London urban area	London	8,278,251	50.99	14.1
West Midlands urban area	Birmingham	2,284,093	38.09	3.9
Greater Manchester urban area	Manchester	2,244,931	40.20	3.8
Glasgow urban area	Glasgow	1,749,154	40.60	3.0
West Yorkshire urban area	Leeds/Bradford	1,499,465	40.52	2.6
Tyneside	Newcastle	879,996	41.72	1.5
Liverpool urban area	Liverpool	816,216	43.84	1.4
Nottingham urban area	Nottingham	666,358	42.04	1.1
Sheffield urban area	Sheffield	640,720	39.49	1.1
Bristol urban area	Bristol	551,066	39.42	0.9

Source: Office for National Statistics, 2004 (from 2001 census survey)

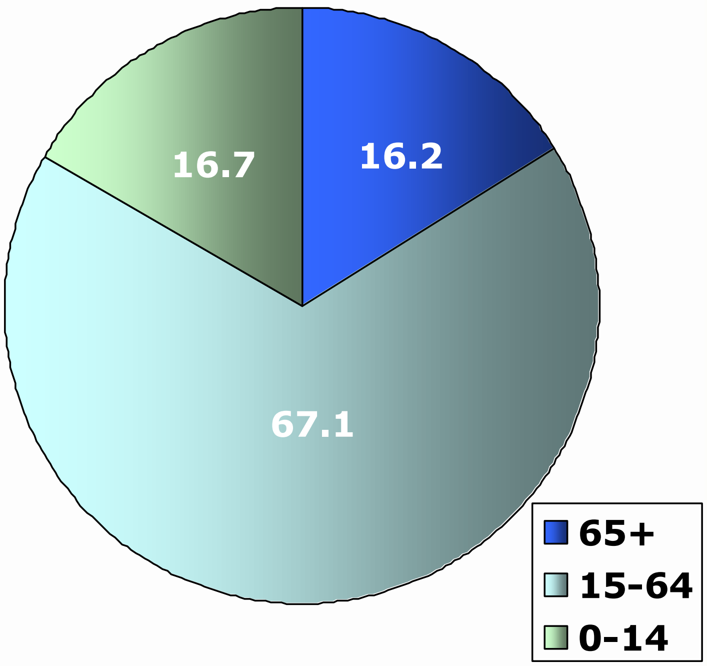
Demographics

Population Forecast (000's)



Source: Office for National Statistics, 2008, CIA World Factbook

Population Split by Age, 2009 (%)



What's the UK Outlook?

- The financial crisis hit the UK hard and the UK went back into recession at the end of 2011. Growth returned in Q2 of 2012 but has been very weak

- Consumer confidence is fragile: The Queen's Diamond Jubilee and the Olympics celebrations may have provided a small short respite for consumer concerns over jobs, income and disposable expenditure - and a welcome short term boost to retail sales

- But 'the road to recovery will be long and winding '(Bank of England governor 12th November 2012)

- The coalition government's programme of public sector cuts underway – yet only 25% actioned to date

What's the UK Outlook?

- Much of the growth in the grocery market over the last few years was the result of commodity price rises

- Food price inflation now appears to be stabilising and for the year to December 2012 was 4.1%

- This compares with an overall inflation rate which has recently fallen slightly to 3% and shop price inflation of 1.5%

- Food price pressures look likely to continue into 2013.

UK GROCERY RETAIL MARKET

UK Grocery Retail – International Context

Top 10 Western European Markets

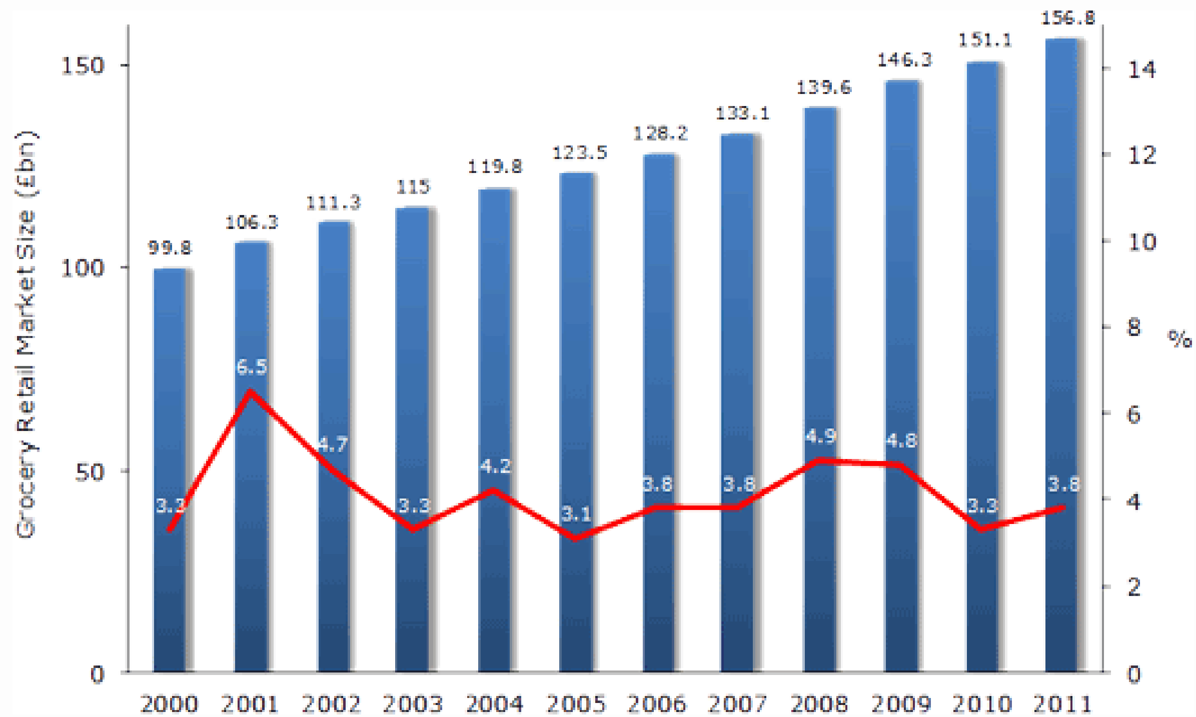
Country	Grocery Retail Market (€bn)
1. France	208.17
2. Germany	162.46
3. United Kingdom	**161.96**
4. Italy	129.56
5. Spain	97.05
6. Switzerland	39.77
7. Belgium	34.92
8. Netherlands	34.46
9. Sweden	24.55
10. Greece	23.72

Top 10 Global Markets

Country	Grocery Retail Market (US$bn)
1. USA	881.84
2. China	789.91
3. Japan	359.96
4. India	350.38
5. Brazil	289.92
6. France	276.04
7. Russia	256.38
8. Germany	215.43
9. United Kingdom	**214.60**
10. Italy	171.80

Source: Retail Analysis Datacentre, calculated in 2011

UK Grocery Market Performance



UK store numbers chart, Source: IGD Research, 2011

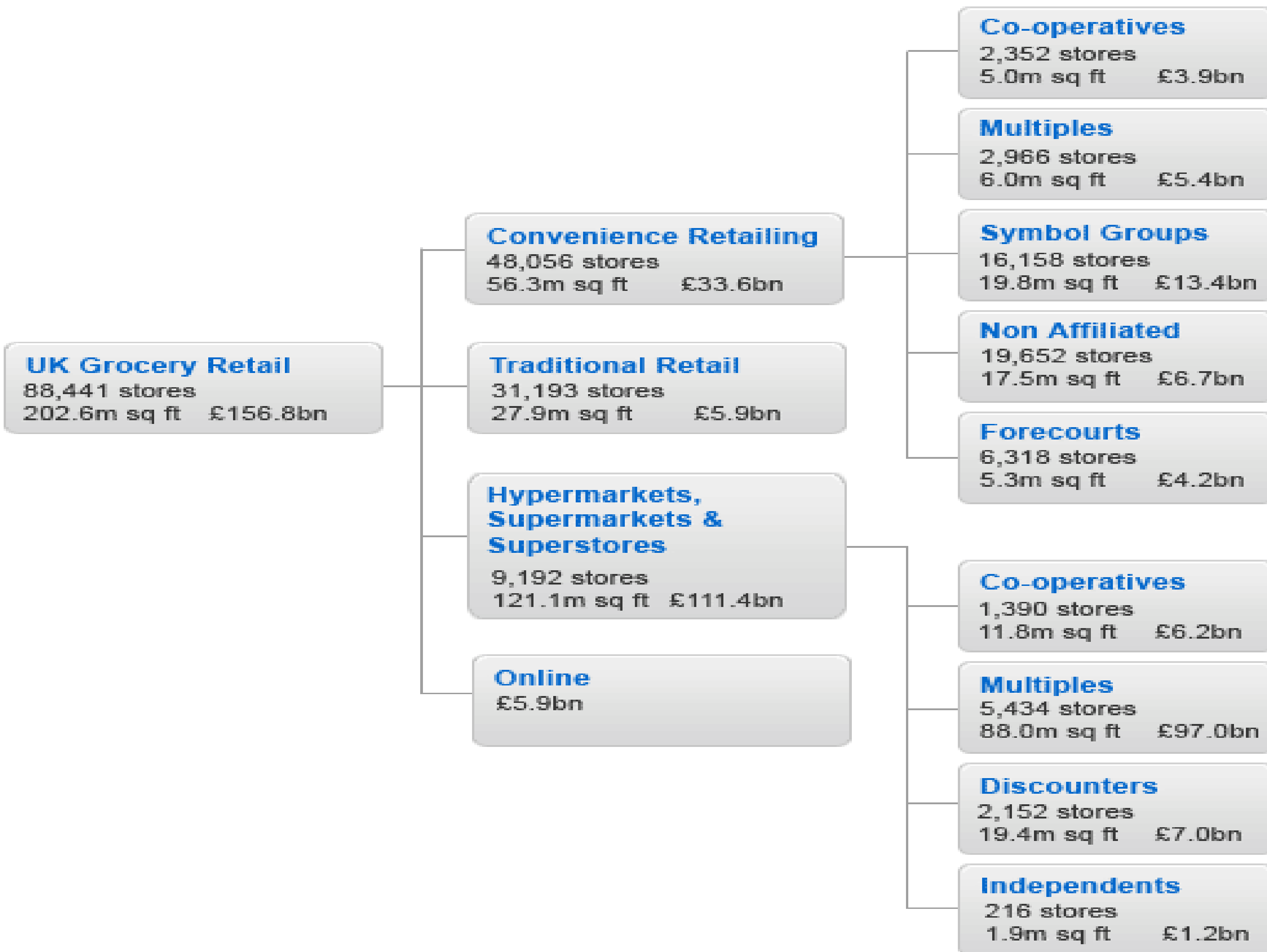
Source: IGD May 2012

Headline UK Grocery Market Performance

UK Private Label Share by Department, 2007

- The total UK Grocery Market value in 2011 was £156.8 billion
- This represents an increase of 3.8% over 2010
- Average annual growth rates over the last 5 years in the Grocery Retail Market are 4.1%
- Consumer grocery expenditure accounts for 52p in every £1 of retail spend

UK Grocery Market Structure 2012



, 2011

Source: IGD May 2012

UK Grocery Multiples Stores by Format

	S/markets	S/stores	Hypers	Total	YOY
Tesco	373	377	167	917	+5%
Sainsburys	242	299	57	598	+6.4%
Asda	205	273	69	547	+5.6%
Morrisons	207	266	0	473	+4%
Waitrose	232	44	1	277	+10%
M&S (f/hall)	317				+8.6%
(Simply Food)	145				-4%

Source: Grocery Retail Structure Wm Reed Bus Media May 2012

UK Grocery Leading Convenience Players

	Convenience Stores	Supermarkets (Co-op only)	YOY %
Tesco	1,834		+6.9%
The Co-op	1,792	373	-2.5%
Sainsburys	432		+10.5%

Source: Grocery Retail Structure Wm Reed Bus Media May 2012

FORMAT DEVELOPMENTS

Space Race Over?

- Much of the growth of the Top 4 retailers has come from new store developments over recent years
- Space tougher to find and planning hard to achieve
- Consumers want personality not just ‘big boxes’
- Tesco signalled that may be over:
  - Slowing expansion plans by 40%
  - Still biggest store opening plans in the sector, but focus now on Express/Metro format/dotcom only stores/moving Extra format to Click and Collect
- Sainsburys too planning 1-2 C stores per week over 2012 and early 2013

Small is Beautiful

- Convenience stores also increased in number +0.6% - mainly the multiples expansion plans more than cancelling out the decline in independents (-4.5%)
- Tesco opened the most C Stores (+147) and now bigger than The Co-operative
- Sainsburys grew fastest in convenience (+16%)
- Waitrose launched Little Waitrose, following a successful roll-out of motorway service outlets

RETAILER PROFILES

Mission Statement:

"To create value for customers to earn their lifetime loyalty."

- Market leader by a substantial margin
- Volume-led strategy utilising its scale advantages
- Profit from sales is typically rolled back into the business to reduce operating costs, improve the offer to customers and cut prices.
- Substantial on-line sales (world's largest online grocery retailer)
- Size issues – tough to do business with, slow to put 'soul' back into shopping experience

Sourcing :

- Global - focus on 'buying better', developing multinational supplier relationships and commercial capability.
- Regional – traditionally focused on UK & Ireland, Central Europe and Asia with increasing focus on European level sourcing for both food and non-food.
- Local – currently lists a total of 7,000 lines and is making itself more accessible to small, local producers.
- Shoppers – reaches out to all parts of the market

Mission Statement: *"To save everyone money, every day"*

- Competes closely with Sainsbury's for position as the UK's second largest grocery retailer by market share.
- Now a multi-format operator following the integration of Netto UK supermarkets, though larger format stores remain core to the business.
- Operating Model – 'Britain's lowest cost to operate supermarket'
  - Asda's everyday low cost business model enables the retailer to drive productivity and lower prices further.
  - Additionally, Asda is building its focus on EDLP and EDLC with the help of the global sourcing capability of Walmart.
  - Asda is also focusing on broadening its appeal through quality and range, particularly through the renewal and enhancement of its private label offer.

- Shoppers
  - Particular appeal to low to middle income families, struggling on a budget, looking for value but also healthy meals for the family

Sainsbury's

Mission Statement:

"At Sainsbury's we will deliver an ever improving quality shopping experience for our customers with great product at fair prices. We aim to exceed customer expectations for healthy, safe, fresh and tasty food making their lives easier everyday."

- UK's third largest grocery retailer by market share.
- Primarily an operator of superstores and supermarkets.
- Developing convenience operation, now operating over 400 convenience stores.
- <u>Great food at great prices:</u> to build on and stretch the lead in food. Sainsbury's continues to innovate and provide leadership in delivering quality products at fair prices, sourced with integrity.

Shoppers

- Middle and upper middle segment of the market. Consumers who are interested in source and healthiness of food at a fair price

Sourcing:

- Sainsbury's offers the widest range of Freedom Food higher welfare products and sells more than any other UK retailer.
- Sainsbury's also claims to be the world's largest retailer of Fairtrade products by value.

Sainsbury's: Focus on Health and Well-being

- CSR, especially health and well-being, is a core focus with Sainsbury's 'taking a lead on providing healthy, fresh and tasty food.'
- In early 2010, Sainsbury's re-launched 'Freefrom' and 'Be Good to Yourself' private label ranges.
- Developed to help customers to see at a glance the healthier food choices within a category.
- Sainsbury's has committed to making the most popular items in its customers' baskets healthier, focusing on products that contribute the most saturated fat, salt or sugar to the UK diet.
- Sainsbury's was the first retailer to apply front-of-pack Multiple Traffic Light labelling to all relevant products.

Mission Statement: *"The food specialist for everyone."*

- Driving Topline
  - Reinforcing commitment to fresh
  - Rigorous evaluation of space allocation to allow room for new categories
- Capturing Growth:
  - Exploring further vertical integration options
  - Started convenience trials in 2011
- Price-led volume strategy, centred on:
  - Highly competitive overall basket price.
  - Unrivalled promotional offer: 1,000 deals every four-week period.
- Offer the key elements of both EDLP and the 'Lo' of Hi/Lo.
- New space development, targeting 1.5m sq ft of additional space by 2013.
- Sourcing:
  - Exploits unique vertical integration structure to develop value proposition in fresh food categories Transactional online offer for food and non-food to be launched in 2012/13
- Shoppers
  - Seeks to compete with Asda with strong price focus but also unique appeal in fresh

Waitrose

Mission Statement:

"The Partnership aims to deal honestly with its customers and secure their loyalty and trust by providing outstanding choice, value and service.

- Fast-growing higher end supermarket retailer
- Once only South East based, now national and have developed offer to include products of good quality at lower price points
- Strong focus on animal welfare, supporting local producers, but also providing authentic international specialities
- Significantly overtrades in chilled – ready meals, salads, snacks, desserts etc
- Between 2010 and 2020 Waitrose is aiming to double the size of its business
- Its multi-format strategy will be a key element of this
- Equally important will be the development of strategic relationships to drive the distribution of Waitrose branded products
- Waitrose will continue to drive its online operation, Waitrose Deliver
- Dominate on product – become the leading fresh food retailer and provide a differentiated offer on quality and service
- Shoppers – mid to premium end of the market, foodies, consumers for whom freshness, quality and values dictate shopping decision

Mission Statement:

"To make aspirational quality available to all."

Short-term priorities:

- M & S brand – premium quality label for food and drink
- Improving value perceptions – Simply M & S
- Signifcantly extending food ranges
- No more experimentation with brands
- Overtrade in chilled ready meals
- Reputation for indulgence, British supply orientation
- Complete store modernisation programme
- Shoppers – usually top up shop, occasion purchasing (tonight’s special dinner) rather than weekly shop. Consumers who value convenience and quality over price

RETAILER PERFORMANCE AND MARKET SHARES

Leading Retailers Market Shares

	12 wks 23 Dec 2012 %	2011 Same period %	% Change
TESCO	30.5	30.6	(0.3%)
ASDA part of the WAL*MART family	17.3	17.5	(1.1%)
Sainsbury's	17.1	17.0	+0.6%
M MORRISONS	12.0	12.4	(3.2%)
The co-operative	6.3	6.5	(3%)
Waitrose	4.5	4.4	+2.3%

Source: Kantar Worldpanel

The Discounters

	12 wks 23 Dec 2012 %	2011 Same period %	% Change
ALDI	3.2	2.6	+23%
LIDL	2.8	2.6	+7.7%
Iceland	2.2	2.1	+4.8%
Farm Foods	0.6	0.5	+20%
Discount Sector Total	8.8	7.8	+12.8%

Source: Kantar Worldpanel

Retail Dynamics

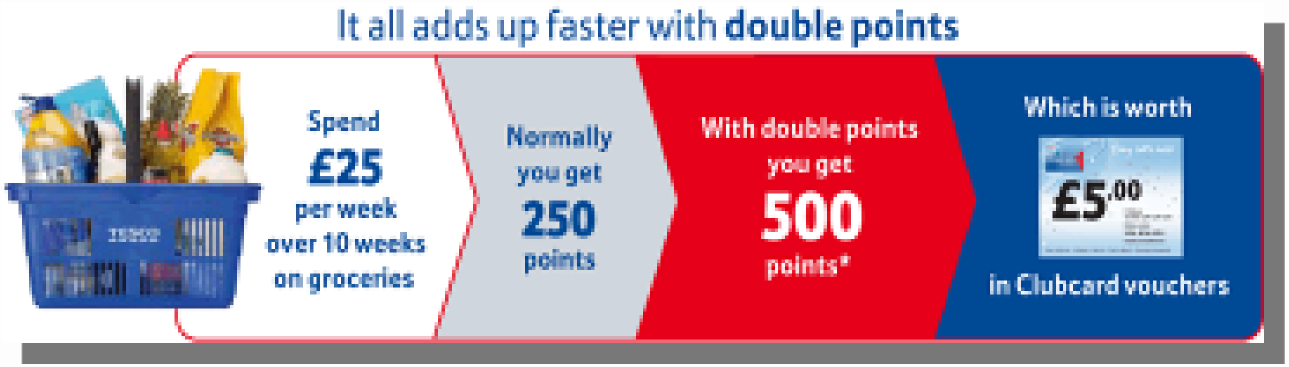
- Unstable macroeconomic environment
  - Price inflation and slowing consumer spending maintaining a strong role for value in the UK marketplace.
  - At the same time, retailers such as Sainsbury's and Waitrose, trading off a broader platform of value and values credentials, are also performing strongly with values remaining highly significant for UK shoppers.
- Shopper interest split between higher category products and a focus on price
  - Freshness, authenticity, origin, perceived healthiness, environmental impact, animal welfare
- The 2 fastest growing retailers in the UK in 2012 are Waitrose (premium selection for affluent, older profile consumers) and discounter Aldi (low price positioning)
- Discount sector still comparatively small (cf many European markets), but grew strongly. Increasingly targeting more affluent shoppers with deals on premium products
- Format diversity increasingly important, not least in convenience.
- Retailers are increasingly developing their online propositions to meet changing shopping trends Tesco world's largest online grocery retailer – food sales up 18% in 2012

Promotional Environment

- UK grocery retailing has become significantly more promotional in the last year
- In a slowing market the theatre provided by promotions and promotional occasions have greater importance for driving differentiation for short-term competitive advantage
- The proportion of promotions in the value of sales has risen to ca 40% in 2012 (Nielsen)
- Key to retailer strategy is providing promotions that give shoppers scope to make savings right across their core trolley spend including staple categories
- An emphasis on price reductions over multi-buys has an important role in providing transparent savings in a market where shoppers are concerned not to buy items they don't need, and to control their waste - BOGOF**L**

Key themes – loyalty, points, vouchers

- Tesco Clubcard has 16m active members. No 3 consumers receive the same statement as offers are finely targeted.
- Tesco periodically offers double Clubcard points and rewards as a promotional tool
- As well as targeting customer savings across the full basket, schemes are increasingly being developed to target specific product sales
- Sainsbury's 'voucher at till' enhancement to Nectar, provides instant rewards targeted at everyday products



Round Pound Deals

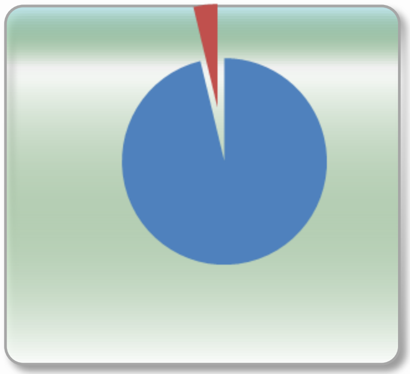
- Pound shops have sprung up on the High Street and are one of the factors pushing supermarkets to make more use of round pound pricing to appeal to consumers on a budget (and wanting simplicity)
- Round pound pricing enables shoppers to simply measure spending during shopping trip
- One in four of all Asda products is now sold at round pound prices (mysupermarket research June 2012)
- 16% of all products sold at Tesco, Asda and Sainsburys is sold at £1 or £2
- Sainsburys use esp in Local stores. Tesco dedicate areas to £1 (ie mini pound stores)

Meal Deals

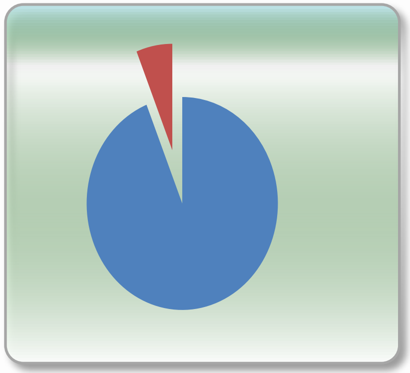
- Meal deals becoming a popular vehicle for delivering value and demonstrating affordability. A range of retailers are using this promotional lever
- Tesco has both standard and Finest deals in store, aiming to cater for different shoppers and different shopping missions
- Clear price positioning and price marking allowing Tesco to display its value credentials
- Finest deal for more indulgent eating in occasions
- Occasion based marketing – first introduced by Marks & Spencer – Dine in for £10
- Response to recession and consumers cutting back on eating out
- Widely used across multiples £4-£15 deals
- Thematic promotions – Valentines/Summer Picnic etc
- Also offer **convenience** and **solutions**

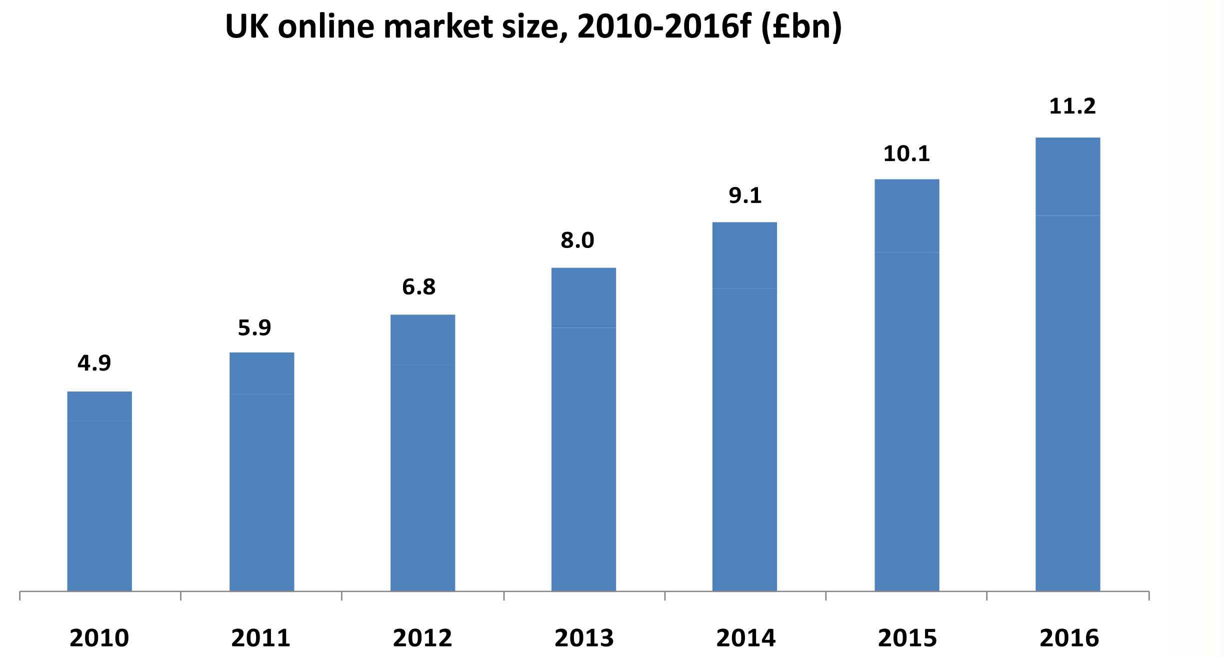
Online Share of UK Grocery Market

2011 share: 3.8%



2016 share: 6.1%





ShopperVista – key stat

•44% of shoppers intend to use the online channel for grocery shopping within 5 to 10 years, compared to just 17% who are doing so in 2011 (Sep'11)

2011-2016

Change in sales +£5.3bn

5 year growth 89.7%

CAGR +13.7%

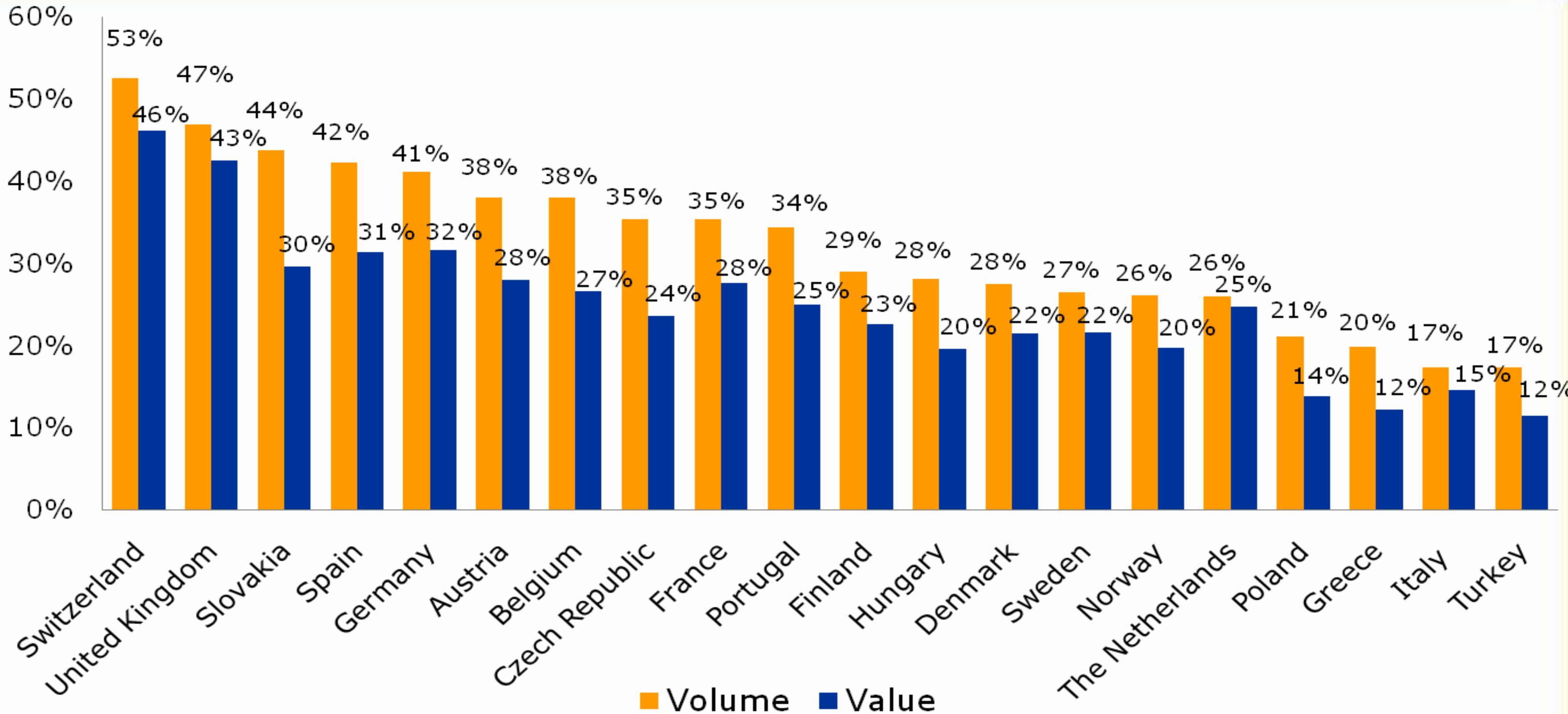
Source: IGD Research

PRIVATE LABEL

UK Private Label

- Private label is a highly important feature of the UK grocery market.
- Although of similar (slightly more) importance in volume terms to EU neighbours such as Belgium, it is significantly ahead in value terms.
- Private label in the UK has for several years reflected the full range of positionings, from no-frills, basic value lines (eg Tesco Value) to premium ranges (eg Tesco Finest) and ‘restaurant quality’ dining out ranges
- Marks & Spencer’s reputation for high quality rests on its private label offer: virtually no brands are present in its stores
- Premium private label purchases spike at Christmas when retailers introduce a range of products for their consumers

Private label penetration in Europe



Key highlights:

- The UK market is second only to Switzerland in terms of private label sales and volume
- Significantly, the relationship of value to volume is closer than virtually all other markets demonstrating it is not just a question of price

Source: Green Seed UK analysis based on PLMA data

UK Private Label – Consumer Perceptions

- According to Mintel's UK new product review 2011, own label **new product introductions outstripped brands for first time in 2011**

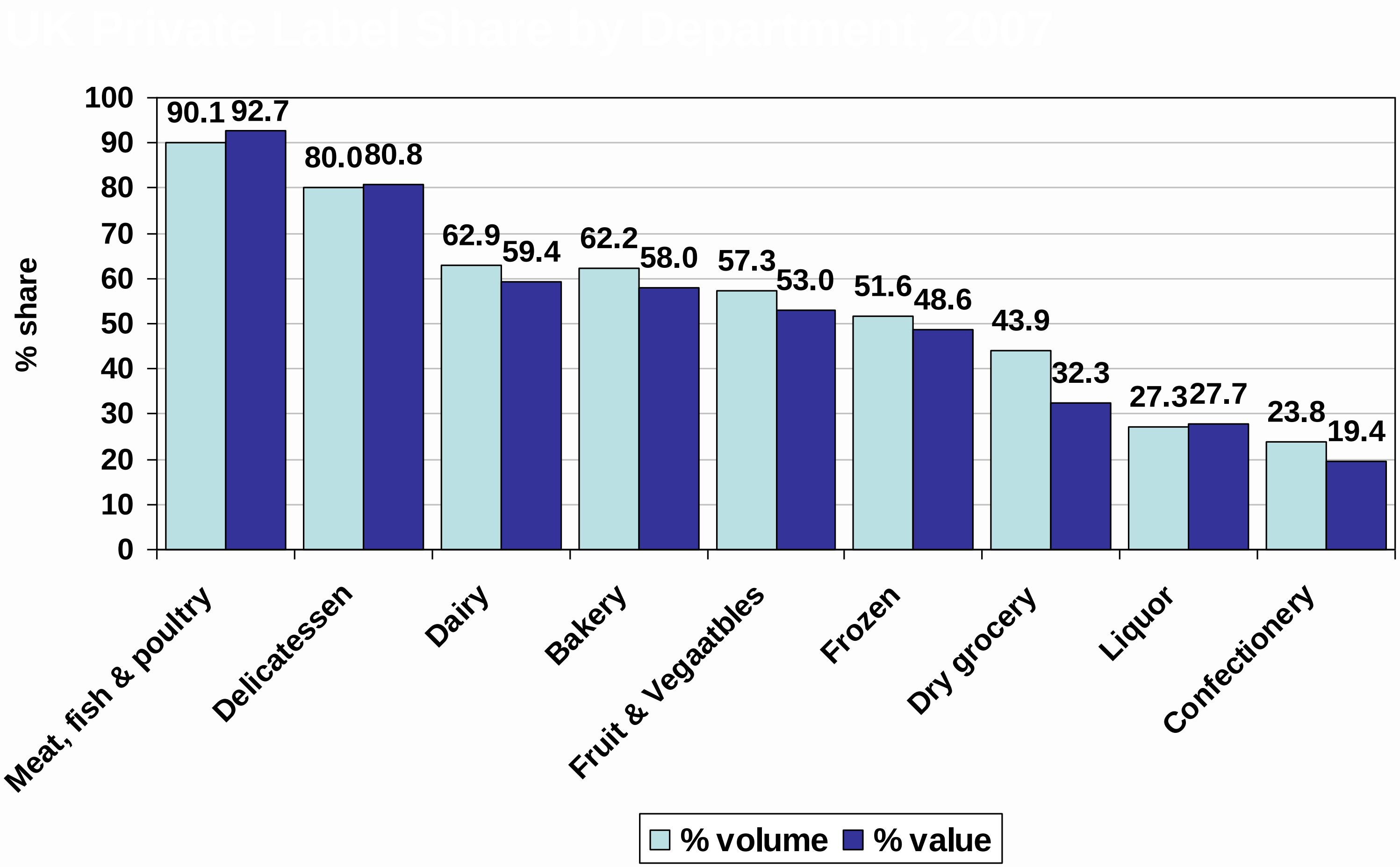
- While in 2008/9 recession consumers traded from A brands to economy private label, **value is now seen as much about quality as price**

- Sainsburys Taste the Difference +14% (year to March 2012)
- Tesco Finest +7% (same period)

- Increasing credibility of own label among consumers (Haygarth research Apr 12):

- 71% of shoppers say little or no difference between brands and own label
- 58% say buying more own label than 2 years ago

UK Private Label Share by Category

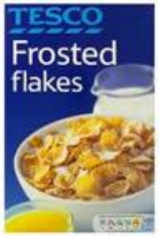


Source: PLMA's International Private Label Yearbook

Tesco: Private Label Strategy

- Core three-tier strategy:
  - **Everyday Value** – c. 1,200 SKUs.
  - **Tesco** – c. 8,000 SKUs.
  - **Finest** -c. 1,800 SKUs.

- Sub-brands include:
  - **Healthy Living**
  - **Light Choices**
  - **Free From** – 150 SKUs for people with allergies.
  - **Wholefoods -** 100 natural snack lines.
  - **Discount Brands** – c.500 SKUs
  - **Organics** – 1,500 SKUs.
  - **Tesco Kids**
  - **Goodness –** healthy food for kids



Tesco Everyday Value

Packaging

- Replacing blue and white stripes with transparent packaging
- Better functionality – resealable lids
- Simple line drawings

Product Content

- Even basic products offer added value:
- No hydrogenated fat/MSG/artificial colours/GM'bad stuff'
- Responsibly sourced
- Higher core ingredient content – eg apple sauce +33% apples

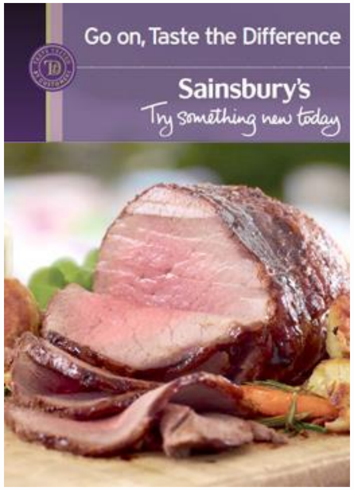
Tesco Everyday Value

From...

To...

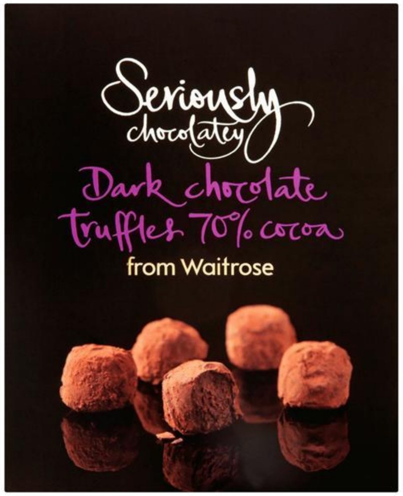
Sainsbury's: Private Label Strategy

- Sainsbury's operates three main private label brands and several sub-brands.
  - **Basics** – 700 everyday entry-level products
  - **By Sainsbury's** – Core brand
  - **Taste the Difference** -, now includes over 1,000 premium SKUs.
  - **Bistro** TTD sub brand – restaurant quality meals
  - **Be Good to Yourself** – Health brand with 250 lines. All <3% fat
  - **Freefrom** – 236 products designed for people with food intolerances, re-launched in Feb 2010.
  - **So Organic** - 430 products generating £4m sales per week.
  - **Sainsbury's Kids** – to replace *'Blue Parrot Café'.*



Waitrose: Private Label Strategy

- Waitrose distinguishes itself through the high quality of its private label offer.
- It offers a wide variety of private label products, most noticeably within ready meals.
- In March 2009, it launched a value focused range for the first time.



Heston and Duchy Originals from Waitrose

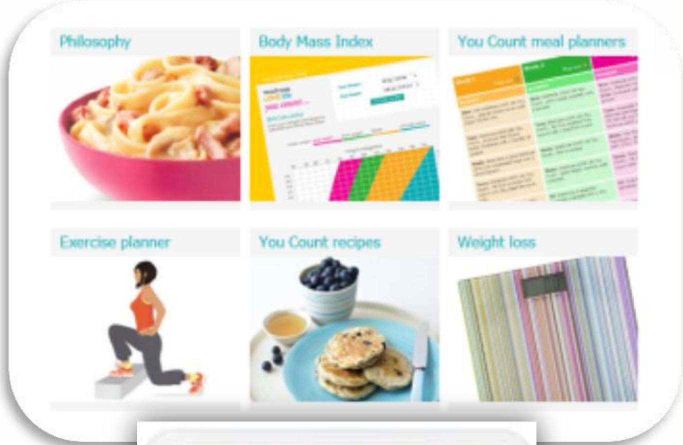
DUCHY ORIGINALS from Waitrose

A PARTNERSHIP PRESERVING OUR HERITAGE

- Heston Blumenthal and Delia Smith became Brand Ambassadors for Waitrose in 2010. The *Heston from Waitrose* range has performed strongly – especially at Xmas
- Acquired the Duchy Originals brand originally created by the Prince of Wales which it uses as a vehicle for premium organic lines – emblematic of food/environment credentials and focus on quality
- It also provides a boost to the organic category - with close to 2,000 lines - at a time when interest has been waning

Waitrose: making calorie counting easier

- Love Life range launched Jun 2011 – 270 nutritionally balanced products
- Biggest sub brand since Essentials
- In January 2012, Waitrose **extended its 'Love Life' healthy private label range** under the 'You Count' brand
- The new range comprises around 80 products in the **ready meal, snack and dessert** categories and features packaging which **prominently highlights the number of calories in each product**



- With this initiative, Waitrose helps shoppers **reduce their daily calorie intake to 1,500** for a more efficient weight loss
- The range is supported by **meal plans available online and in-store** as well **as an information portal** around nutrition, exercise and a healthy lifestyle

Source: IGD research, Waitrose

Marks & Spencer: Private Label Strategy

- Marks & Spencer distinguishes itself through its 99% private label focus
- A brand trial has been reversed under Bolland – M&S to focus on quality of its own product range
- Within food there are several brands including
  - Eat Well – well balanced foods endorsed by the British Nutrition Foundation
  - Count on us… - low fat and calorie ready meals
  - Food to Go – foods for immediate consumption
  - Cook 1234– range of meal components
  - Speciality – products from specialist producers
  - Organic
  - Gastropub – Modern British classics

NOT JUST THE MULTIPLES….

Specialist Retailers

- Whilst **the multiples clearly represent the interesting volume opportunity**, there can also be potential with specialist independent players

- **Delicatessens and independent stores are traditionally accessed via distributors or purchase their stock through wholesalers**.

- Often overlooked are smaller chains: Booths for example, specialising in Northern England has 30+ outlets and an upmarket clientele, with some joint buying initiatives with larger and more South of England based player Waitrose. Booths can be contacted directly or accessed via distributors

- **Whole Foods'** flagship store is in Kensington. The store, is spacious and with high standards of service and **specialises in organic and ethical foods and high class specialities.** They are **planning further expansion in the UK and have 6 outlets**.

- Traditional food halls such as Harrods, Selfridges and Harvey Nichols offer **a showcase of fine imported foods and UK specialities**, often from small high quality suppliers rather than larger manufacturers. **Smaller volumes and trials are possible with these, either by approaching the relevant category buying head at the store or through a good gourmet food distributor.**

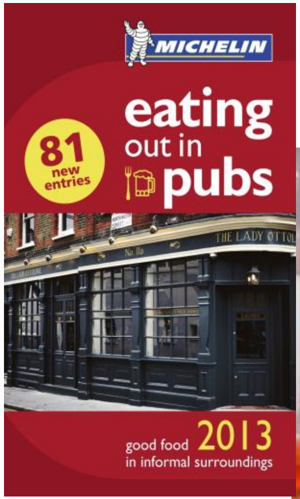
- Wholesale business with 23 Warehouses in UK
- Sales £1.7 billion
- <4,000 skus

- Item not category led
- High volumes/large pack sizes
- Lowest possible price for good quality added value products
- Low margins
- Central distribution

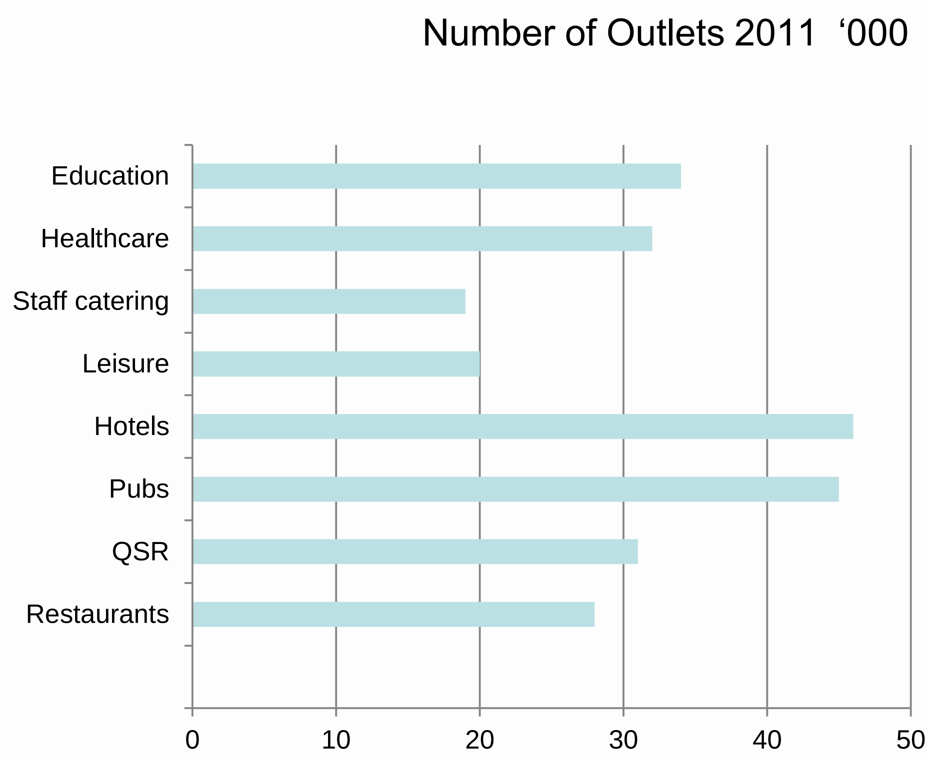
UK FOODSERVICE MARKET

UK Foodservice Market

- The UK Foodservice market is traditionally broken down into the Cost and Profit Sectors
- Breadth of coverage – everything from fine dining to prison meals
- The overall market value of UK foodservice is £42.8 billion (Horizons Foodservice)
- There has been no real terms growth in the overall foodservice market over the last 5 years
- In 2012 the sector registered small growth of 1.5%, but this was a real terms decline of a similar amount once inflation is taken into account



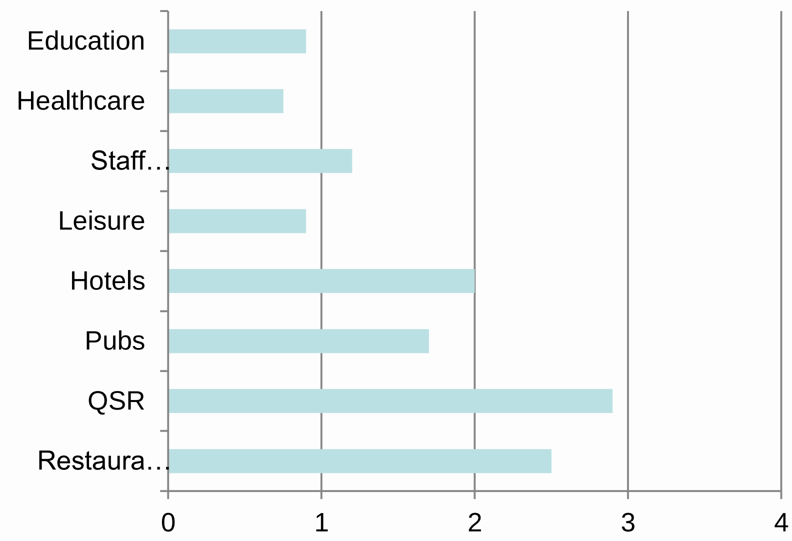
Foodservice Outlets UK



- There are 258,000 foodservice outlets in the UK
- The number of outlets has declined slightly (0.2% over 2011)
- Hotels and Pubs dominate the Profit sector, Education and Healthcare the Cost Sector

UK Foodservice Market

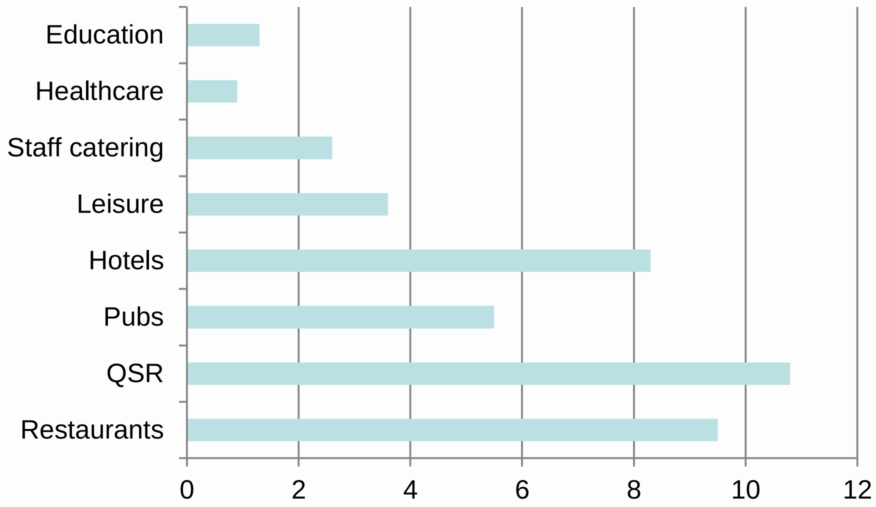
Food and Drink Purchases by segment 2011 £bn



- QSR and Restaurants are the most important purchasers of food and drink by value
- Education and Healthcare account for only 12% of purchases

UK Foodservice Market

Food and Drink Sales by segment 2011 £billion



- QSR the No1 sector: McDonalds, Domino pizzas and Costa Coffee among the good performers in 2012
- Branded restaurants generally increased footfall, promotional offers increasing over 2011
- In Pubs food sales are now 40%+ of total sales in managed chains
- Hotels expanded in 2012 (2011 a v poor year) and London hotels benefited from Olympics
- Institutional sector under pressure due to spending cuts

Eating Out Trends

- Consumer confidence has constrained demand for meals out of home, resulting in heavy competition in the mid-priced sector

- In the second 6 months of 2012 more out of home meals were consumed than in the previous year – but average spend was lower

- Voucher promotions increasingly prevalent

- 72% of adults eat out (slightly less than 75% in 2008)

- The average no of eating out occasions has reduced from 3.3 times in a 2 week period in 2008 to 2 meals in 2011

- Consumers demanding more from eating out experience – not just price but innnovation:

    - Vegetarian and branded starters
    - Half-sized portions
    - Flatbreads and wraps
    - Mini dessert trios
    - Ethnic/street food appetisers
    - New regional flavour outlets (Mexican, Vietnamese, Brazilian, Regional Spanish...)

Accessing the Foodservice Market

- Compass, Sodexho and Aramark are major operators spanning several sectors (schools, office catering, prestigious leisure and sporting venues etc), purchase also direct
- The two most important delivered foodservice wholesalers are Brakes and 3663
- Both supply the major operators (Compass etc) but also smaller operators and independents
- Much investment has gone into chef development teams to inspire foodservice operators with new menu ideas
- Booker is the leading foodservice cash and carry with ca 400,000 customers
- Major hotel chains and quick service operators operate their own food and beverage buying
- Good niche opportunities can often be found in the high-end restaurant and hotel sector through specialist distributors focusing on that segment

KEY CONSUMER TRENDS

Attitudes to country of origin in food and drink

- Despite a resurgence of interest in and respect for indigenous regional specialities, **UK consumers welcome food and drink from markets outside their own provided it meets their standards of quality**.

- In the UK we are content to buy Indian/Thai/Chinese ready meals made on the outskirts of London (by highly rated manufacturers with excellent quality standards), which are also exported in increasingly large quantities.

- By the same token, **UK consumers are happy to purchase products with the right credentials designed for their needs even if they are not always typical of the market in which they are produced**

- In addition, **British shoppers recognise the value of traditional specialities (from other countries as well as their own) and will seek out Parmigiano Reggiano, Jamon Serrano, Brie de Meaux and so on**

- In all the above **the key guarantor of quality in the consumer's eyes is the retailer**. The very fact that such a significant proportion of our food and drink is sold as private label is a powerful indicator of that.

Convenience

- Convenience is core to the UK consumer's shopping experience. Whether sandwiches or ready heated convenience meals, **consumers expect instant quality and satisfaction**

- The shift of society mirrors that in many other Western European countries: more single person households, more women working full-time, lack of time (and cooking skills) and the disintegration of regular mealtimes and family eating occasions, the rise of the microwave...

- **Marks & Spencer invented the chilled ready meal in the 1980s**, now widespread in all UK supermarket chains and in no other market in the world can you find so many chilled meal solutions

- **The chilled chain established 30 years ago means retailers can offer short shelf life quality products with Just In Time delivery to their shoppers.** Retailers drive their suppliers hard to provide the right private label ranges to impress their consumers

- Frozen food, meanwhile, after a little revival during the recession, has suffered from a lack of innovation.

- In meat products, convenience makes its impact in the rise of meat snacks (examples later) and resealable packaging is increasingly the norm– eg for packs of sliced meats

- **Packaging must be convenient to the shopper, but within limits ie not by providing excess packaging which is viewed as environmentally unfriendly**..

Health and Wellness/Indulgence

- Health and wellness has been a key trend for many years in the UK. This began with low calorie, sugar-free variants in products such as soft drinks but has now become more mainstream and sophisticated. **Consumers are much more conscious of their overall diet (and the importance of a healthy lifestyle, exercise etc in general) and the need to achieve balance.**

- **Government has played a role in this with pressure on the food industry to reduce saturated fats, as has the introduction of traffic light labelling system (red=bad, green=good) and GDA labelling.**

- Equally, foods related to specific diet conditions and allergies are no longer solely the mainstay of health food stores. The 'free from' market is worth in excess of £200m and growing very fast, not just because of those with coeliac and other conditions, but also among a growing number who wish to reduce their eg gluten intake

- **Meat-reducers/vegetarians** – the number of vegetarians remains static. Growth of products like Quorn due to meat-reducers rather than strict vegetarians

- Health food products have moved from specialist areas to the main category area – just as organic products did a few years ago.

- **Indulgence counterbalances 'being good'.** Chocolate, puddings and other treats all did well during the recession because in tough times consumers want to reward themselves from time to time with affordable treats.

Ethical Shopping

- **More and more shoppers are concerned about ethical issues when making purchases**.

- Concerns over global warming have increased markedly in the last 5-10 years and the importance of all householders in taking action has taken some hold. This is demonstrated in:

  - Retailer reduction of plastic bag use
  - Producers careful not to overpackage food
  - **Producers stressing sustainable farming methods**
  - (Or local production/low carbon footprint)

- **Animal welfare is an issue important to many.** Free range eggs are now the norm, not the exception and constant media focus has ensured that standards of animal husbandry are high. **The UK farming industry regards itself as having higher standards than those of imported product and most of the retailers are keen to support only home-grown fresh animal derived products wherever possible.**

- **Fairtrade product sales have grown very strongly over the last 10 years**: consumers understand the simple concept of giving farmers a higher price for their products and retailers want to be seen by their shoppers as supporting farmers in less developed countries.

- During the recession, Fairtrade product sales held up well: consumers were not prepared to sacrifice their values even though they had less money in their pocket. Here there is an interesting comparison with organic foods, where sales suffered markedly.

Organics

- **After strong growth in line with many other premium food categories, the recession in 2009 put extreme pressure on the sector and sales performance dipped by close to 20% over the year**

- Some sectors, such as dairy and baby food, however, held up reasonably well. In some categories, organic is almost a pre-requisite: premium chocolate for example

- However, things began to improve in early 2010 and have been on an upward curve since then

- IGD carried out some consumer research in 2010 on consumer attitudes to buying organic food and drink..
  - Almost 1 in 5 consumers regarded themselves as core organic food purchasers.
  - But a similar number claim they do not really understand what organic really stands for

- This is a key marketing challenge which has not yet been fully addressed. **Consumers are unclear whether organic means better for you, better tasting or something else. Unlike ‘free range’ (happier chickens) or Fairtrade (better paid farmers)**

Organics

- It may be that there are gaps for an organic alternative in categories which do not yet have a clear organic player

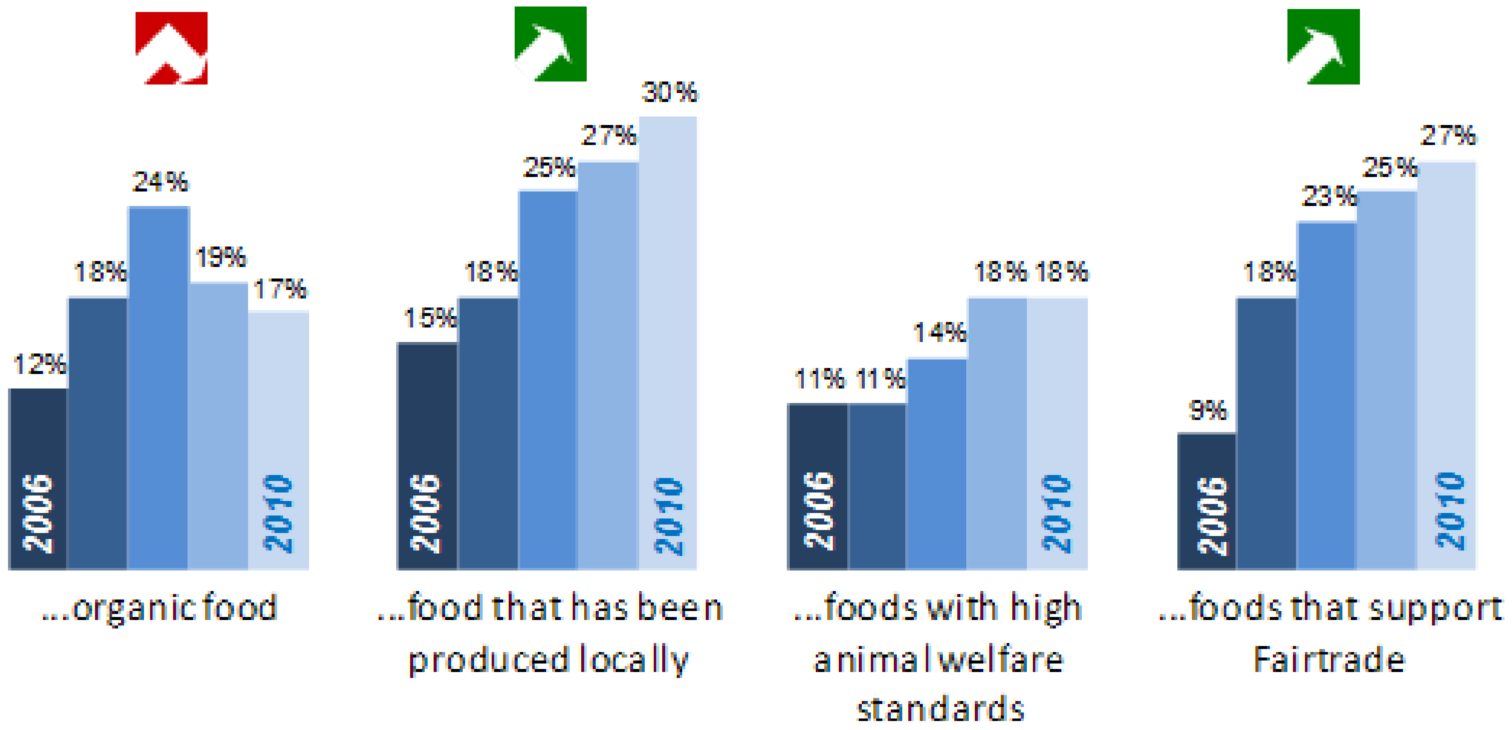
- Pricing is a key issue and can be somewhat confusing. The accepted view is that consumers are happy to pay 10-15% more for organic products but purchasing may be driven by out of stocks in standard items (fruit and vegetables for example)

- Equally, in some instances it is possible to find organic products on sale at less than the standard product price

- The other extreme is product at 2 or 3 times greater price than the standard product

- **The certifying authority for organic products in the UK is the Soil Association – www.soilassociation.org/certification**

Ethical Products specifically bought in the last month



Base: main/joint household shoppers. Source: IGD Shopper Trends 2010 report

Source:

SOME CASE STUDIES

Green Seed UK– Buyer introduction and Listing

• Boomerang Food Group, a Belgian supplier of high quality chocolate mousses and other desserts contacted Green Seed UK to evaluate opportunities and help launch its premium chocolate mousse range to the UK trade.

• We assessed the range and established a distinctive positioning based on the product's natural ingredients and 'home-made' recipe. We identified Costco as a priority potential customer and worked with Boomerang to develop a new gourmet brand 'Gaston'.

• Green Seed UK achieved a meeting with the buyer within 4 weeks, managed follow-up contact and supported commercial negotiations, leading to a national listing 2 months later. From idea to shelf in 16 weeks.

Green Seed UK – Market Preparation + Trade Communication

green seed

- Stream Drinks is a South African functional waters supplier. They approached Green Seed UK for help in identifying partners, trade channels and to prepare launch in the market

- We helped Stream Drinks find production partners, with regulatory approvals and prepared a recommended strategic approach to the UK market.

- We helped Stream develop an appropriate marketing proposition and a buzz in the trade with a social media programme, created a platform for trade launch through winning Best New Product Award and through participation at IFE, the UK's leading food trade exhibition.

- We helped them identify the right distributor for launch in 2012 to national supermarket and chemist chains, supported by a vibrant communications campaign.

Waitrose

stream™
Functional Beverages

Boots

Green Seed UK – Alternative Routes to Market

- Casual Fruit is a new healthy crunchy snack brand developed by a pair of entrepreneurs from Barcelona. After the concept took off very quickly in the Spanish market, the brand owners approached Green Seed UK for advice on how to approach the UK market.

- We examined the sector and gave the client a realistic understanding of what it would take to succeed as a brand in the highly competitive snack category. At the same time we discussed the concept with a number of trade contacts and made a strategic recommendation

- A contract was signed for a new range of healthy snacks now under development for Tree of Life who supply national and independent health food stores and the supermarket multiples.

- In addition we introduced the company to the UK team responsible for children's meals for a major fast food chain

PRACTICAL ISSUES

VAT, Margins and Pricing Issues

- VAT in the UK is 20% - it has recently (effective from January 2011) increased from 17.5% as one of the Government's measures to reduce the financial deficit.
- The good news is that VAT does not usually apply to food and drink products, as these are viewed as essential items.
- VAT is applicable on products such as soft drinks, confectionery and snacks. There are various anomalies and we can advise if your product would be subject to VAT
- Retailer margins vary by retailer and by product category as well as between branded and own label, so it is not possible to provide a definitive list
- As a rule of thumb, margin expectations are more at the lower end of that scale for more price competitive retailers such as Aldi and Asda and at the higher end for more upmarket players like Waitrose.
- Distributor margins will depend on specification of role. A full-service distributor will likely expect a margin in the region of 20-25%

Supplying the UK Market

The UK Market can be served very efficiently without the requirement for a large UK based sales force as all the retail chains operate with a centralised head office buying policy. However there are challenges:

• Stock management & order lead times - Day 1 order for Day 2 or Day 3 delivery

• Chilled Day 1 for Day 1 or Day 2 delivery

• Different retailers have different supply chain requirements.

• Strict timings of deliveries to each depot.

• Each retailer has a number of regionally based distribution centres – a supplier to Tesco, Asda, Sainsburys, Morrisons and Co-op might need to deliver to over 40+ different UK destinations (but if you had business with all these that might be a logistical challenge you would be prepared to face!).

• 7 days per week delivery requirement.

UK retailers main distribution requirements are as follows:

• 100% of deliveries on time, every time – often to within 15 minute pre-booked time slots, which can be hard to manage from a foreign manufacturing site unless you organise warehousing in the UK.
• High levels of service +98.5% order fulfilment and availability.
• Chep pallets 1000mm x 1200mm
• Correct paperwork. • Daily deliveries to all DCs.

• All suppliers to the retail multiples are expected to use EDI

YOUR CHECKLIST

Checklist

1. Decision to Export

- Have you conducted a market prioritisation exercise? If so, have you narrowed down your focus sufficiently to be able to concentrate on the UK market?
- **Will you (in partnership perhaps with a distributor) be prepared to give the same attention to winning and managing a UK account** as you would a major account such as Carrefour or Delhaize in your own market?

2. Opportunity Identification

- Ensure you have a good overall understanding of the UK retail market and positioning of major players
- How is the category performing (reviewing Nielsen/IRI data is a good idea), but **seeing what is going on in store is similarly important.**
- What is the mix of brands vs private label?
- **How is the market segmented by price, quality proposition, convenience**?
- Where could your range fit within the category?
- Could it **add something not already there in terms of quality or innovation**?
- Complete a market assessment to create a picture of the competition, ranges and recipes, packaging and pricing and the potential gaps you could address

Checklist

3. Product Evaluation

- You are the greatest evangelist for your products, you know all about their strengths, but how do they stand up to objective assessment?
- Make sure you have your products evaluated to avoid simple mistakes. Ensure **samples are reviewed in the market both for presentation and taste. Packaging issues might be picked up immediately. Certain flavours might be less acceptable to the UK palate.**
- Whilst you may not want to redevelop your entire range, this feedback may at the very least **help you to focus** on products A and B (not C and D) when making your pitch

4. Strategy Development

- Based on steps 2 and 3, draw up your strategy: **which products** will be the focus for the UK market?
- Is any product adaptation required?
- **Which channels – multiple retail/specialist stores/foodservice? (not advisable to try everything at once)**
- **Which particular accounts will you target?**
- **Will it be a branded or private label approach?**
- **Do you want to maintain control of your business approach or hand it to a distributor?**

5. Commercial Approach

- Calculate your delivered price to the UK
- **What minimum contribution will you require to make UK business worthwhile?**
- **Calculate estimated retail price based on trade margin, allow for promotional investment**
- **What price point will you target** to suit category dynamics?

Checklist

6. Preparing the pitch

- Prepare a presentation describing how your company, range and how you will add value to the category
- Target your presentation specifically to each account demonstrating you understand category dynamics in the buyer's stores
- Ensure you target the right individuals. Be patient and persistent, it will take time...
- **Make sure you deliver what is required in the initial meeting. Prepare for the questions you might be asked. Ensure samples are ready in advance, if required, or at the meeting. Prepare to be flexible**: what you think your ideal offer to the buyer is may not be the same as his new pre-occupation
- Follow up your first meeting promptly

7. Ongoing management

- **Listing decisions are unlikely to be made quickly**: more meetings may be required over several months
- **You will need to ensure you have all quality certifications up to date and prepare for rigorous inspections of your premises if supplying private label ranges. These are likely to go beyond BRC requirements.**
- You will be expected to contribute towards promotional support. This will help you to secure and maintain a position on the shelf
- **Once a listing has been achieved, consider whether you will manage the account directly yourself, through locally based account management or whether you prefer merely to appoint a distributor**
- Keep your UK account(s) under constant review. **Establish dialogue, discuss new product introductions. Consider which additional accounts could also be suitable for your business**.

Green Seed UK

Let's make a success of the UK market!

I look forward to finding out more about you and your products

Thank you.

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