Introduction to UK Market and Opportunities for Flemish Food and Drink exporters on behalf of FEVIA

London 24th September 2014

Presentation Content

I. Green Seed Group : Who we are
II. UK Grocery Retail Market and Key Players
III. Some Key Themes in Retail
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Part 2

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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.

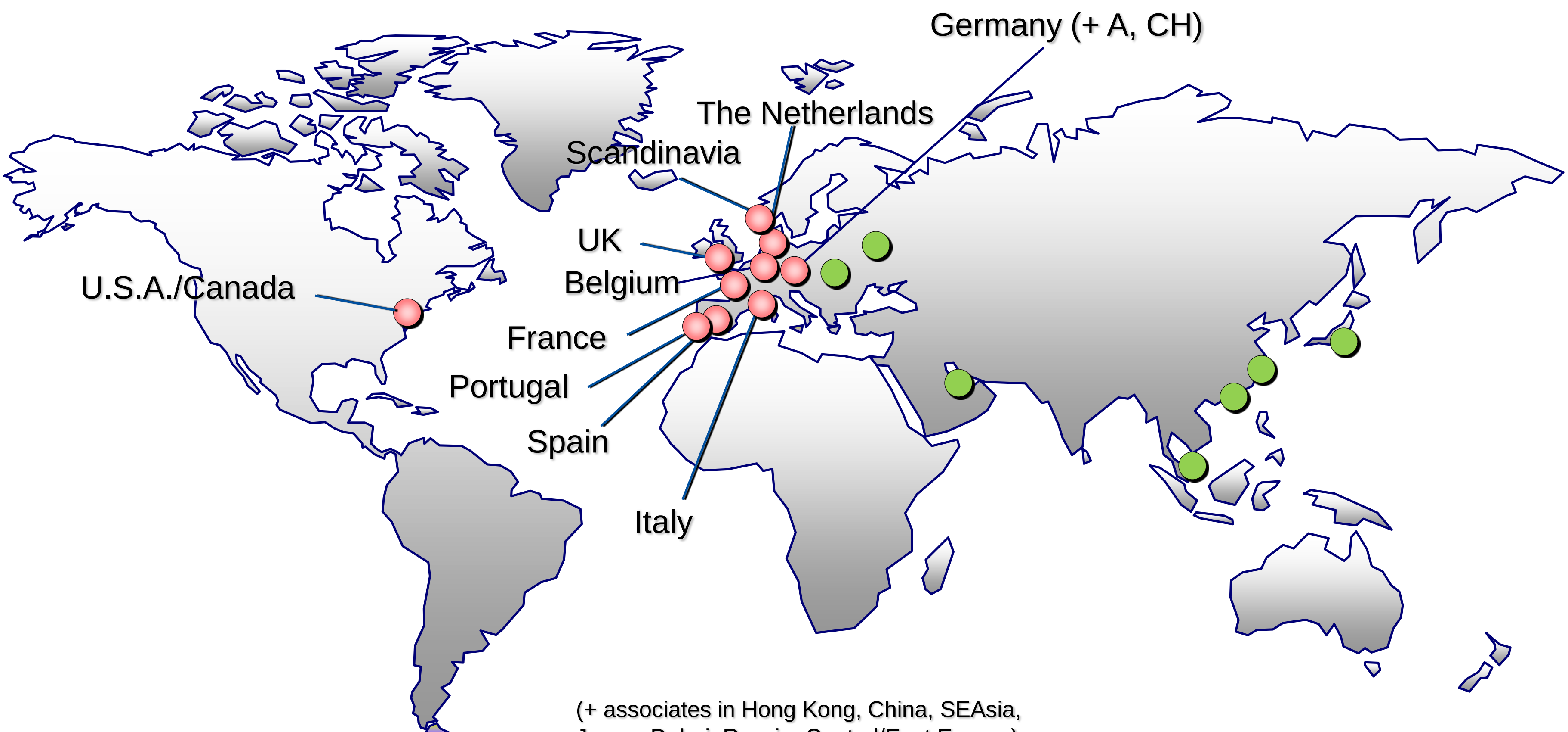
Our story began providing help exclusively for British food & drink companies, as the ‘Food From Britain International Network’.

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 10 privately-held sales & marketing consultancies covering 19 countries across Europe and North America.

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

Some of our Clients: Companies and Brands

green seed

GREGGS
ife
Thorntons
DSM
vodka O2
West Country Farmhouse Cheesemakers
stream Functional Beverages
Filippo Berio
Fushi Discover your inner beauty
greencore group
Bakkavör
Carrefour
bottlegreen Drinks Co
Olives from Spain
Marubeni
Labeyrie
Allied Bakeries
Delhaize
Burton's Foods
Dairy Crest
dumet Olives are our passion
Sanitarium health & wellbeing
plum organic superfoods for babies
Auchan
Casual Fruit
The feel good drinks co
CAFÉPOD Clever Coffee Capsules

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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 2012

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)

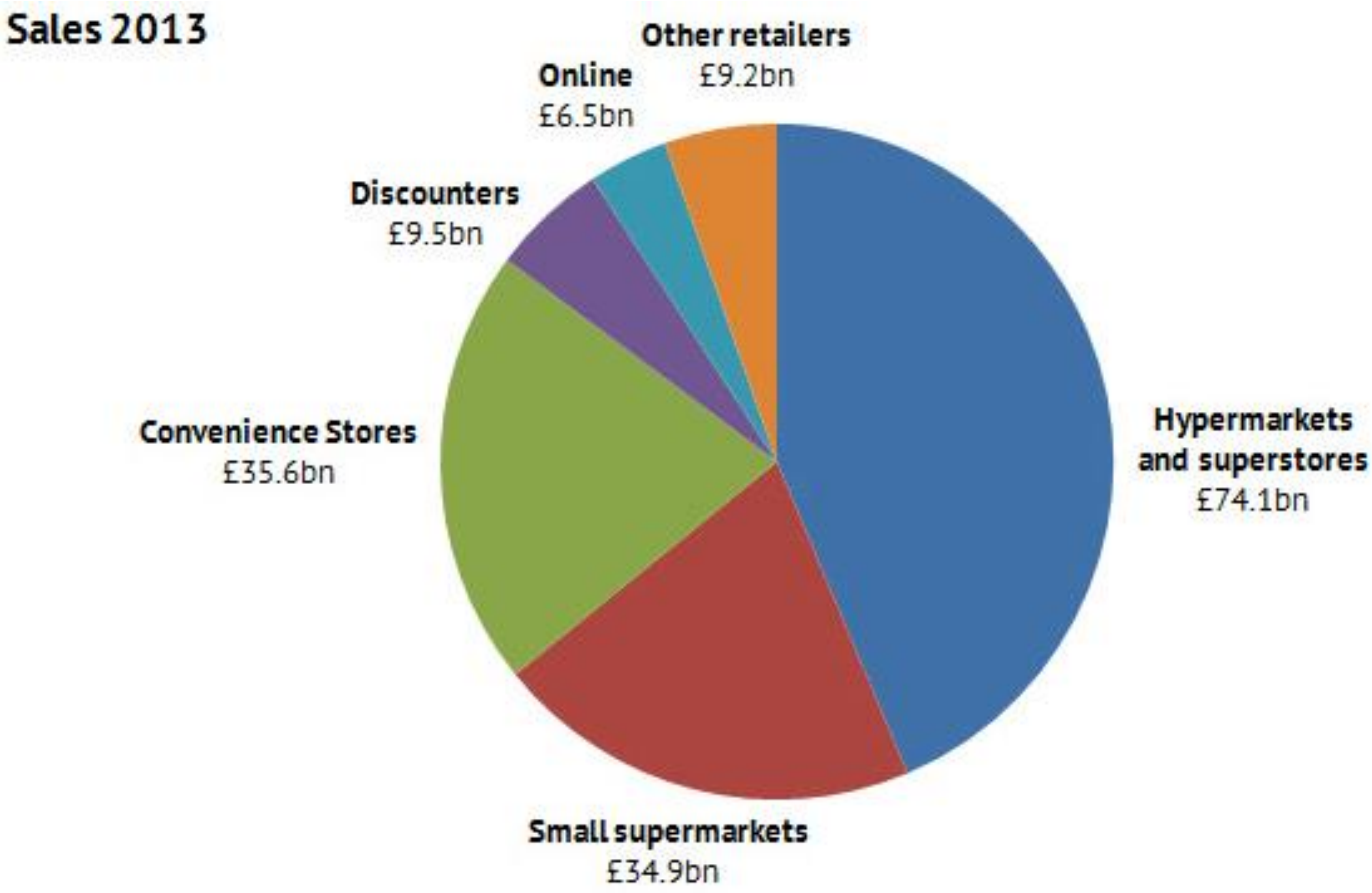
UK Grocery Market Performance

Source:
IGD

Headline UK Grocery Market Performance

- The UK grocery market was worth £169.7 billion in 2013, an increase of 3.7% on 2012
- IGD forecast that the UK grocery market value will be worth £205.9bn in 2018, an 21.3% increase on 2013
- Latest grocery retail sales data for 2014 to end August shows barely any growth - +0.3%
- The grocery market's share accounts for 54.9p in every £1 of UK retail spending

UK Grocery Retail Sales 2013



Source: IGD

UK Grocery Multiples Stores by Format

	S/markets	S/stores	Hypers	Total	YOY
Tesco	192	480	235	907	+2.3%
Sainsburys	245	301	65	611	+2.2%
Asda	190	271	72	533	+2.9%
Morrisons	209	281	1	491	+3.8%
Waitrose	240	47	1	288	+4%
M&S (f/hall)	319				-0.3%
(Simply Food)	125				-7.8%

Source: Grocery Retail Structure Wm Reed Bus Media May 2014

UK Grocery Leading Convenience Players

	Convenience Stores	Supermarkets (Co-op only)	YOY %
Tesco	1,978		+7.9%
The Co-op	1,410	373	+1.7%
Sainsburys	498		+20%

Source: Grocery Retail Structure Wm Reed Bus Media May 2014

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 re developing Extra stores (hypermarkets)
- Growth in Convenience

Convenience Driving Retail Growth

- In the 12 months to April 2014 the convenience market generated £37.4bn in sales. This represents a year-on-year increase of 5.2%.
- Social and economic changes are still helping to deliver growth in the convenience market. Changes such as smaller household sizes, longer working hours, and reducing food waste are playing to the strengths of convenience stores as shoppers look to shop little and often.
- Retailers are constantly evolving, looking for new ways to meet the needs of shoppers.
- Part of this is the continued move away from a 'one size fits all' approach. Stores are increasingly being adapted to meet the needs of local shoppers, offering product ranges which are best suited to the local population.
- This increased tailoring of the stores' products and services, not only benefits the customer, but also creates a point of difference for the retailer.

Small is Beautiful

- The total number of convenience stores stands at 47,294. This year we have seen a marginal increase in the number of convenience stores, up 1%. This increase is due to the continued slowdown in the decline of unaffiliated independents and the continued growth of multiples and symbol groups.
- IGD research shows convenience multiples have seen the largest increase in store numbers, up 13.6% year-on-year. Although demonstrating the fastest growth, convenience multiples represent less than one in ten convenience stores (7.6%).
- Tesco and Sainsburys are the most important multiple C store operators and continue to open new outlets
- Waitrose launched Little Waitrose, following a successful roll-out of motorway service outlets
- Morrisons has come late in the day to convenience and is now playing catch-up

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 – 43% of UK online grocery market. 6 Dark Stores
- Size issues – tough to do business with, slow to put 'soul' back into shopping experience, new food to go venture
- Lots of new ventures: restaurant chain, in store coffee shops and artisan bakery
- Loss of market share/profits down/new CEO as of 1st September

- Focus on refreshing existing space and growth of smaller stores
- Increasing emphasis on health with revamped Healthy Living range and new 'health tours'

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 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.
  - ✓ Aiming to open 25 stores in 2014, mostly in south, especially smaller stores
  - ✓ Targeting increase from 53% to 70% of shoppers with easy access to an Asda store by 2018
  - ✓ Driving Click & Collect

- 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.
- Great food at great prices: 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 Wellbeing

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International Food Expertise

- 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.

5 A DAY

low Gi

Sainsbury's Active Kids

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, only now close to 100 C stores
  - ✓ Very slow to develop online (from 2014) – bought technology from Ocado
- Price-led volume strategy, centred on:
  - ✓ Highly competitive overall basket price.
  - ✓ Unrivalled promotional offer: 1,000 deals every four-week period.
  - ✓ Poor recent sales history, now investing in targeting gap between big 4 and discounters
- Offer the key elements of both EDLP and the 'Lo' of Hi/Lo. Sourcing:
  - ✓ Exploits unique vertical integration structure to develop value proposition in fresh food categories Transactional online offer for food and non-food launched in 2014 via Ocado
- 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, and providing authentic international specialities
- Significantly overtrades in chilled – ready meals, salads, snacks, desserts etc
- Waitrose is aiming to triple sales in next 10 years to £15 bn
- Its multi-format strategy will be a key element of this. 38 new stores planned 2014/5 incl 23 Little Waitrose
- Equally important will be the development of strategic relationships to drive the distribution of Waitrose branded products
- Introduced 4,000 new products in 2013/4 year vs average of 1,000 per year

- MyWaitrose card used by 4.1m shoppers – aim to build spend and shopping frequency of new occasional customers
- 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
- Significantly extending food ranges
- Food sales had been one bright light in overall M&S poor trading performance, but now flat
- 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 14 Sep 2014 %	2013 Same period %	Sales growth YOY
TESCO	28.8	30.2	(4.5%)
ASDA part of the WAL*MART family	17.4	17.3	0.8%
Sainsbury's	16.2	16.6	(1.8%)
M MORRISONS	10.9	11.1	(1.3%)
The co-operative	6.4	6.5	(1.6%)
Waitrose	5.1	4.9	4.5%

Source: Kantar Worldpanel

The Discounters

	12 wks 14 Sep 2014 %	2013 Same period %	Sales Growth YOY
ALDI	4.8	3.7	29.1%
LIDL	3.5	3.0	17.7%
Iceland	1.9	2.0	(1%)
Farm Foods	0.7	0.7	2%
Discount Sector Total	10.9	9.4	

Source: Kantar Worldpanel

Retail Dynamics

- The 2 fastest growing retailers in the UK in 2013 were Waitrose (premium selection for affluent, older profile consumers) and discounter Aldi (low price positioning)

- Inflation running at 1.6% (lowest since 2010) constraining grocery market growth now at 0.3%

- Discount sector still comparatively small (cf many European markets), but grew strongly. Increasingly targeting more affluent shoppers with deals on premium products

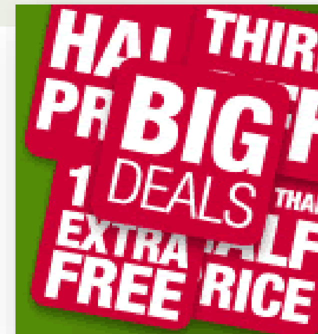
- Format diversity increasingly important, not least in convenience.

- Retailers are increasingly developing their online propositions to meet changing shopping trends.

- Online grocery sales forecast to double between 2012 and 2017 to reach £11.1bn (6% total grocery)

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 is in a range of 35-40%
- 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**



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
- 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
- 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**

LOYALTY CARD PROMOTION

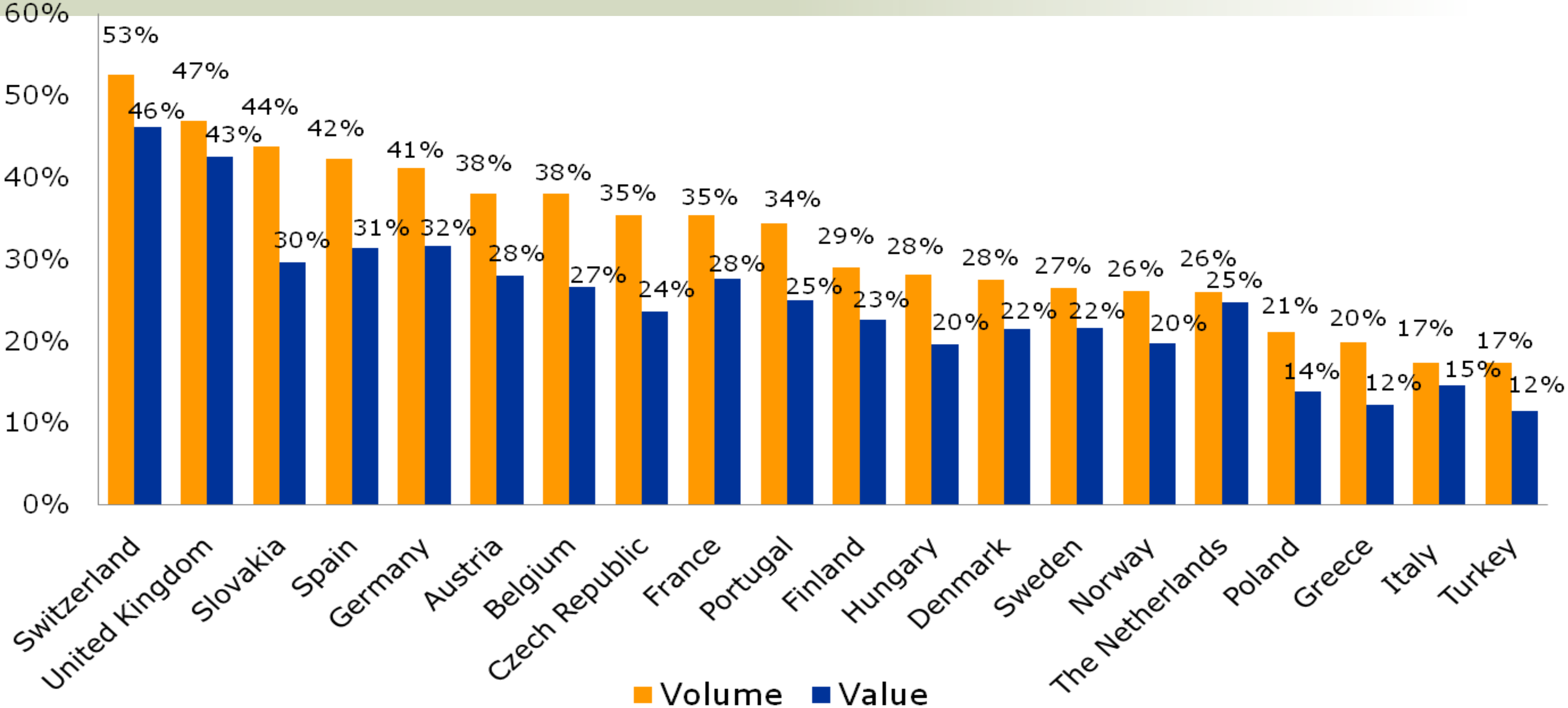
- Tesco Clubcard has >16m members in the UK
- Targeted approach to consumers – individualised according to shopping habits and profile
- Fresh food offers encourage spend at counters alongside mainstream shop – eg *spend £3 at deli counter and receive 100 bonus points*
- MyWaitrose – rewards regular shoppers + free cup of coffee and newspaper on every visit
- Tesco Clubcard credit card – another vehicle to promote Tesco and fresh food!

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 has now branched beyond ‘good, better, best’

Private label penetration in Europe



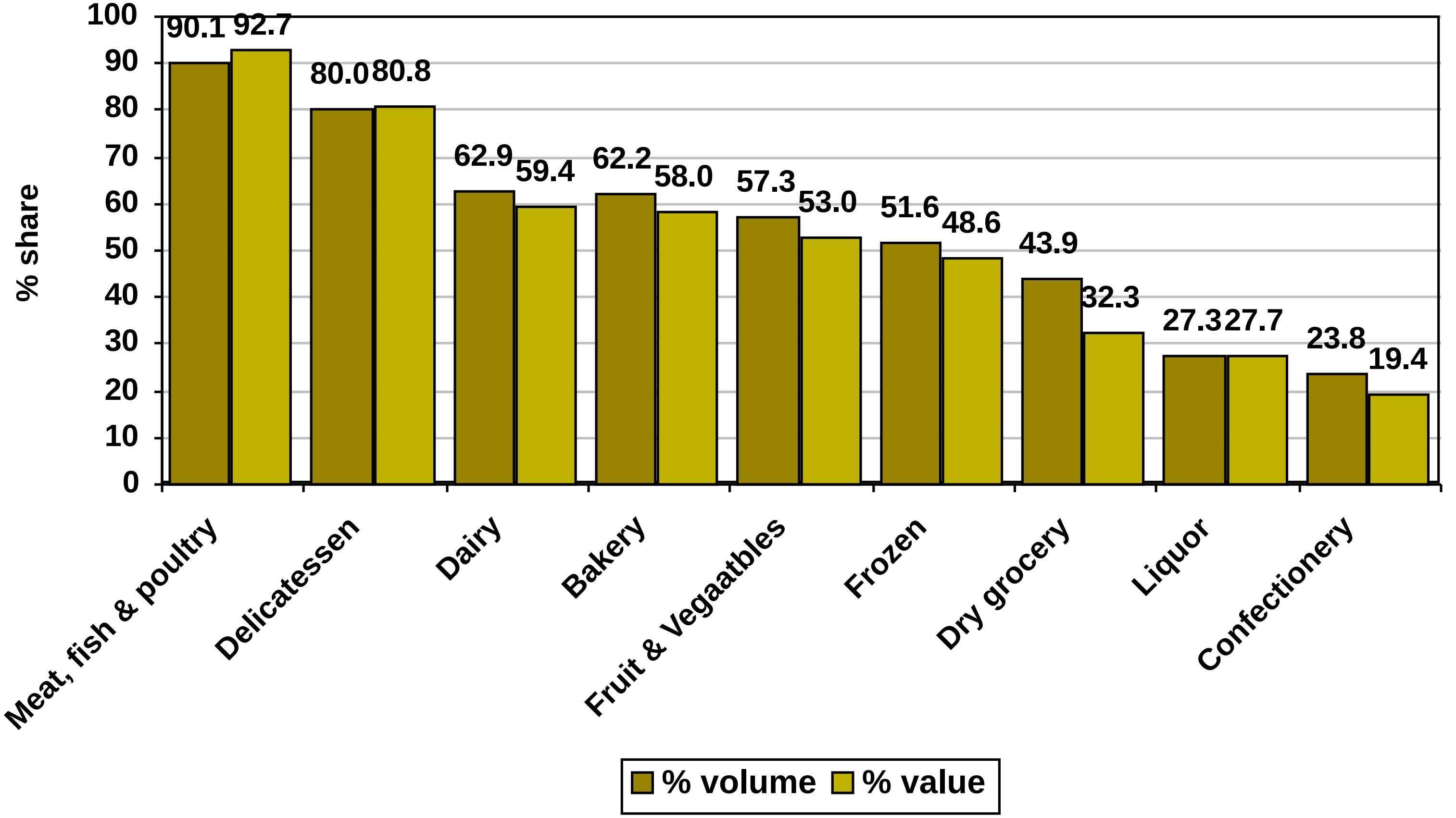
Key highlights:

- 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

PLMA, 2010 Yearbook

UK Private Label Share by Category

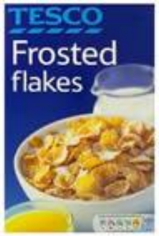


Source: PLMA's International Private Label Yearbook

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...

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 *He* *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

DELI AND FOOD TO GO DEVELOPMENTS

DELIS BECOMING MEAL BARS

- Explosion of olives and salad bars (Tesco Watford – photo right)
- Waitrose World Food To Go range (eg banh mi baguettes)
- Tesco sushi bar (Tesco Metro, Tooley St – photo right below)
- Meal creation – eg buy meal base, then meat from deli/rotisserie then seal in a box
- Or part fresh kit – uncooked meat + breads, dips sauces, spices and veg

RETAILERS TO CREATE STAND ALONE FOOD BARS?

- Sainsburys trials Fresh Kitchen for several months in 2011

- No plans to roll out concept – ‘we learnt a lot’

•Tesco launches café/food to go concept early 2014 and now expanding (central London locations)

FOOD BARS – COMPETITION/INSPIRATION

Pure

- Food bar, accent on health, convenience
- Eat in or take out
- City workers, London

- Hot and cold meals
- Personal food preparation
- Chefs at the centre of the operation

SALAD and JUICE BAR - WAITROSE

HOT FOOD TO GO

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- Traditional offer consists of hot chicken, pies, sausage rolls
- Now Indian food part of mainstream offer
- Tesco City Kitchen proposition
- Create your own 3 part meal
- Create your own pizza and have it cooked for you

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BOOTHS
FOOD, WINE AND GROCERY

HOLLAND & BARRETT
we're good for you

ocado

NOT JUST THE MULTIPLES….

Boots

WHOLE FOODS MARKET

FOODHALL
SELFRIDGES&Co

COSTCO WHOLESALE

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

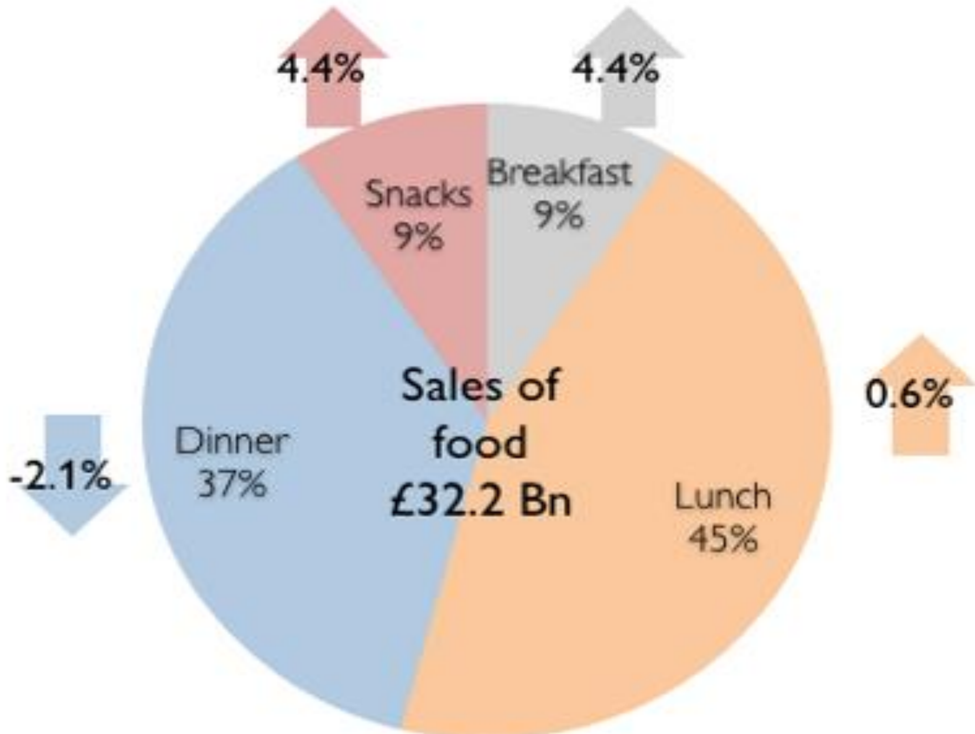
- Item not category led
- High volumes/large pack sizes
- Lowest possible price for good quality added value products
- Low margins
- Central distribution

- Dedicated online home delivery grocery retailer
- Sales £0.7 billion
- Wide range of skus
- Cover London and South East + most of England, South Wales
- 2 dedicated distribution centres, no dark stores
- High ratings for service
- Like to stock new ranges, innovations, specialities which will appeal to affluent customer base
- Pushing hard their own private label (to be distinct from Waitrose and exploit gaps)

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

Foodservice Sales by Meal Occasion



Source: Horizons' Menu Structure and Trends Base Year 2012

MARKETING AND APPROACHING THE BUYER

Getting Noticed: Marketing as a small/new to UK business

- Packvertising
  - Use your pack to sell your story
  - Test fonts – do they work on shelf?
  - Will product be stacked – are key messages visible?
- Sampling
  - You think your product's great, make sure shoppers know it is
  - Getting it on shelf is only half the battle
- PR
  - Be interesting
  - Think outside the bubble – how can you relate to national events (Ma'amite for Jubillee celebrations)
  - Be visual
  - Consider which social media and tone of voice
- Your Target Consumer
  - What do they do and where do they go?
  - Where do they shop?
  - How can you reach them?

New Directions – Social Media

- Asda ahead of other retailers
- 1.2m Facebook followers, more than other major retailers combined
- Use of Twitter to generate new ideas – 15,000 replies in 45 mins when posted a question about what new pizza toppings they should offer
- Engaging with consumers
- Showing they make a difference – tweets with comments on products appearing on shelf
- Instagram – photo the food you love

Approaching The Buyer

- Remember they spend 90% of their time problem-solving (not looking for new suppliers
- Show you understand the market as well as your product and show how it meets trends
- Show them the gap in their assortment which your range will address
- Show you understand the retailer’s target shoppers and their category vision
- How can you make more money for them – with your product vs another/by attracting a bigger basket
- Help them to make the case internally

Approaching The Buyer

- Use buying assistants, find out range review timings
- Focus on the benefit for the retailer but sell a compelling story which can excite their shopper to buy
- Demonstrate support behind your brand
- Tesco Local Sourcing/Advice to Smaller Suppliers
  - ✓ Know your market
  - ✓ Have a really good product
  - ✓ Packaging that works
  - ✓ Sampling
  - ✓ Press Activity

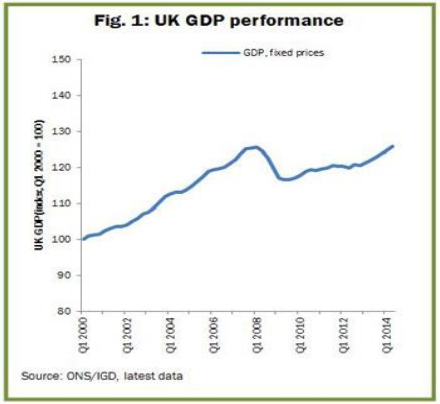
PRACTICAL ISSUES

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%

KEY CONSUMER TRENDS

The Shopper



- ✓ GDP growth was 1.9% in 2013 and is predicted to hit +2.4% in 2014 by the IMF
- ✓ Economic recovery continues apace with real UK GDP (excluding inflation) now finally exceeding pre-recession levels. The UK is growing faster than any other major Western nation.
- ✓ Unemployment has fallen rapidly, although the nature of work has changed, with self-employment and part-time work more prevalent.
- ✓ ‘Food Stress’ – Since 2006 the price of the average basket has increased by 44%, but average wages by only 21%

The Shopper

Fig. 2: Anticipated change in personal circumstances, next 12m

Share of respondents (%)

	07/13	03/14	04/14	05/14	06/14	07/14
Better off	15	18	17	20	19	18
Same	45	47	49	49	48	49
Worse off	40	35	34	32	33	33

Source: IGD ShopperVista

- In contrast to non-food, food retail sales declined by 1.4% in the three months to July (IGD/BRC).
- Shoppers have been stepping up a variety of tactics learned through recession in pursuit of best value, including shopping little and often to minimise waste, appropriate portion sizes, longer shelf life products and 'cherry picking' across retailers and channels.
  - 19% of consumers using price comparison sites – NB mysupermarket.co.uk has 5m monthly visitors and 2.2m registered users
  - Technology increasingly important part of shopping experience. Not just to buy, but in preparation – 47% say looking up recipes online before shopping and 82% an envisage doing so in future. Nearly a quarter watching food content videos online
  - Shopping missions – by mealtime or occasion.
    - Breakfast Solutions
    - Midweek meal
    - Weekend Dining In
- Larger formats: superstores and hypermarkets are feeling the effects in particular, given that these stores exist primarily to satisfy a full weekly shop.

Health and Wellness

- 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.**

- **More recently the focus has been on sugar with discussion of a sugar tax doing the rounds and some arguing sugar is 'the new tobacco'**

- **Natural sweeteners on the increase, especially stevia: Trop 50 from Tropicana with 50% fewer calories and stevia achieved £15m turnover in Year 1**

Health and Wellness

- 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

- Mintel report that ‘free-from’ products account for 32% of all new product introductions in 2012 (up from 22% in 2007)

- **Meat-reducers/vegetarians** – the number of vegetarians remains static. Growth of products like Quorn due to meat-reducers rather than strict vegetarians – but benefited from a significant boost after horsegate scandal

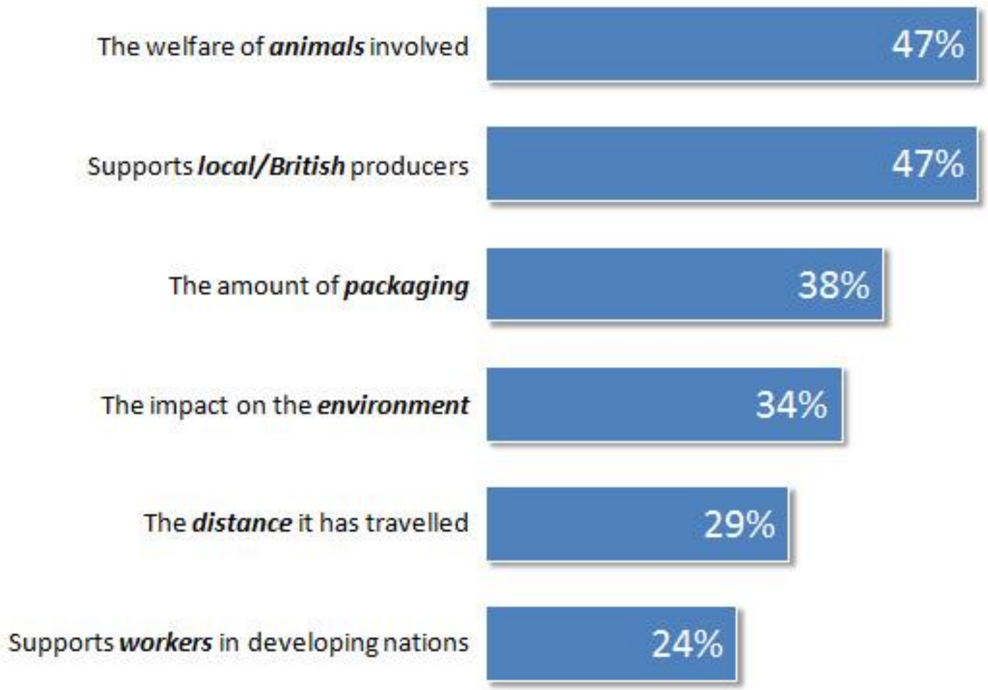
- Health food products have moved from specialist areas to the main category area – just as organic products did a few years ago.

- In health, protein enhanced products forecast to be the next big thing in health and wellbeing. For example, 45% of respondents want more protein in yogurts (Mintel NPD report)

- ‘Natural’ new product launches account for 27% of introductions recorded by Mintel

Ethical Shopping

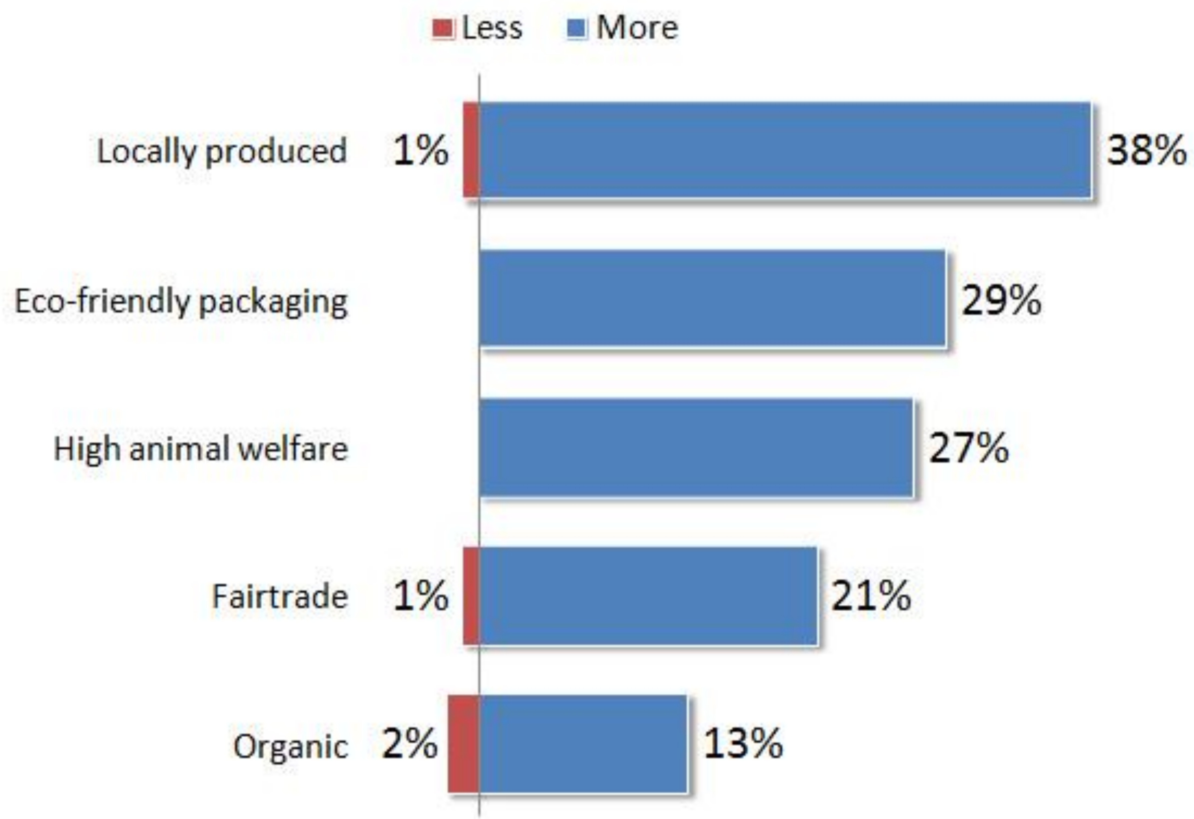
Ethical Factors importance to shoppers: % extremely/very important



ɔld shoppers. Source:
IGD Shopper Trends 2010 report

Source:

Ethical Shopping intentions over next 12 months: More or Less



Shopper Trends

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 (50% of all category is organic) , however, held up reasonably well. In some categories, organic is almost a pre-requisite: premium chocolate for example
- The sector continued to fall over 2011 and 2012 but finally went back into growth in 2013 (according to Soil Association Market Report 2014) and the market is now worth £1.79 billion (+2.8%, ahead of overall grocery growth of 2.1%))
- However, pre-recession the organics market was worth £2.1 billion
- Greatest growth came from independent sector (+6.9%) and Ocado (+10.4%)
- Sainsburys is the biggest organic retailer with 29% share (+7% on organics sales over year); Waitrose also grew strongly (+6.5%)
- 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)**

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

- 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.

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

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 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**.

WE LOOK FORWARD TO HELPING YOU ACHIEVE SUCCESS IN THE UK MARKET!

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