

Food and beverages – United Kingdom

Summary of findings related to international market opportunities for Norwegian food and beverage products to United Kingdom

Summary of Report by Fredrik Bjerke Abdelmaguid

1. Brief facts about the market

The agrifood sector in the UK contributed £103.0 billion or 7.6% to national Gross Value Added in 2013, and 3.8 million or 13% of national employment in Q3 2014.

Beverages is the largest manufacturing group with a GVA of £6.3 billion in 2013; Alcoholic beverages contributed £5.0 billion of the total beverages GVA in 2013.¹

Food prices have risen 18% in real terms since 2007 taking us back to the late nineties in terms of cost of food relative to other goods.²

According to the latest publication from the Department for Environment Food and Rural Affairs (DEFRA) which was last updated in December 2015 the UK average household expenditure in 2014 on all food and drink was £41.97 per person per week (see chart). Taking inflation into account, this was 2.8 per cent less than 2013 and 3.5 per cent less than 2011.



On average UK households purchased 7.5 per cent less food in 2014 than in 2007 while spending 18 per cent more.³

¹ Source: Food Statistics Pocketbook 2014 – Department for Environment, Food & Rural Affairs

² Source: Food Statistics Pocketbook 2014 – Department for Environment, Food & Rural Affairs

³ Source: Food Statistics Pocketbook 2014 – Department for Environment, Food & Rural Affairs

UK consumers are now **more demanding of additional benefits by their food and drink** options, and are still prepared to pay a price premium for them; for example⁴:

- Many (but not all) consumers increasingly expect staple items such as bread, meat, milk, seasonal fruit and vegetables to be of **British origin**.
- Many (but not all) consumers increasingly expect food to be produced in a **fair and ethical** way. Consumers rely on third party product labels (e.g. FairTrade, Red Tractor, RSPCA Freedom Foods) as evidence of welfare/sustainability credentials.
- **Health and wellness** is a key motivating factor for many consumers that seek out products which are low in salt, fat and sugar, contribute to their daily required intake of 5 portions of fruit and vegetables, are free from artificial additives and ingredients, contain functional health ingredients and so on.
- Consumers are increasingly demanding **convenience products** that fit in with busy time poor lifestyles (especially for weekday meals), particularly those that are positioned on a health and wellness platform (e.g. healthy prepared meals, salad pots, fruit juices and smoothies and so on).
- Consumers will seek out **promotions and discounts** for undifferentiated everyday products.
- Consumers are **prepared to pay more** on products that deliver clear tangible benefits (e.g. Convenience, health).

Although more people are prepared to pay a premium for additional benefits **Price is increasingly important in driving product choice**, with 41% of shoppers naming it as the most important factor and 88% listing it within their top five influences. **Quality** was rated as the highest influence by 16% of respondents, followed by **taste or smell** (12%) and healthy (9%).⁵

In 2013, 23 countries together accounted for 90% of UK food supply. Just over half of this (53%) was supplied domestically from within the UK.⁶ The leading foreign suppliers were the Netherlands (5.8%), Spain (5.3%), France (3.5%), Germany (3.3%) and Irish Republic (3.0%).⁷

2. Opportunities for Norwegian companies in [market]

UK Consumers are above all else very price sensitive, making it difficult for Norwegian companies to gain entry and compete in the market.

- **Online retailing** is the fastest growing type of grocery retailing in the UK, and was worth £5.9 billion in 2011, and forecasted to be worth £11.2 billion by 2016 (an increase of 89%). 17% of people in the UK use the internet to purchase groceries, a figure that is expected to rise to 44% by 2016. **Distribution through online channels of Norwegian products might** bypass some barriers to entry and overcome the biggest challenges of **very price sensitive consumers** in the long run.⁸
- **Sales of sustainable fish rose by 20%** in 2012 to £0.4 billion, making this another opportunity for Norwegian sustainable fish suppliers, following the trend of a year on year increase in ethical produce since 2007, despite the economic downturn.⁹

⁴ Promar International

⁵ Food Statistics Pocketbook 2014 – Department for Environment, Food & Rural Affairs

⁶ Food Statistics Pocketbook 2014 – Department for Environment, Food & Rural Affairs

⁷ Food Statistics Pocketbook 2014 – Department for Environment, Food & Rural Affairs

⁸ 1. AC Nielsen - State of the Nation (UK)

⁹ Food Statistics Pocketbook 2014 – Department for Environment, Food & Rural Affairs

- **Fairtrade needs a relaunch – could it's 21st birthday in 2016 provide an ideal opportunity?**
This could be the opportunity Norwegian Fairtrade products needs to gain entry to the market. Transparency and Fair Trade are common traits for several Norwegian companies and products. The top food trend in 2015 for the UK is traceability (From clean to clear label) according to www.foodmanufacture.co.uk
- **The 'free-from' food category** in the past 12 months has increased by 25% in terms of value, taking it up to £288million and is a potential opportunity as the market category is growing.¹⁰
- Recent years has seen greater publicity on **food waste** and reducing it. In the UK households throw away 7million tons of food, around 20% (by weight) of total purchases. Norwegian waste management and recycling industry is well developed and would be stepping in to a fairly "undeveloped" market in terms of consumer trends and could benefit greatly from proven processes and systems in Norway.¹¹

Main strengths: Norwegian companies wanting to export food to the UK have strength of an established reputation of being high quality and sustainable orientated. Scandinavian brands have a good reputation in the UK in general. Although 41% of shoppers naming price as the most important driving product choice, and 88% listing it within their top five influences, quality was rated as the highest influence by 16% of respondents.¹²

3. Challenges for Norwegian companies in the UK

Norway enjoys free access to the Single Market, in compliance with the EEA agreement.

Although the EU's common fishery and agricultural policy is not part of the EEA Agreement, Norway and the EU are nonetheless committed to gradually liberalize their trade in agricultural products.

Bilateral tariff quotas and tariff-free quotas are established between Norway and the EU for certain agricultural products such as cheese, meats, fruit, vegetables and flowers, among others.

Generally speaking there are low barriers for companies not based in the UK to do business here, and according to Doing Business 2016, the UK rank 6 out of 189 economies. However, the general UK population is very price sensitive when it comes to purchasing of food and beverages, making it hard for Norwegian companies to compete.

Statistics also show how UK shoppers increasingly expect certain foods to be of British origin, like bread, meat, milk, seasonal fruit and vegetables, making it difficult for non british to compete on these products.

¹⁰ Promar International

¹¹ Food Statistics Pocketbook 2014 – Department for Environment, Food & Rural Affairs

¹² Food Statistics Pocketbook 2014 – Department for Environment, Food & Rural Affairs

4. Recommendations to Norwegian companies considering export of food and beverages to [market]

The agrifood market is huge in the UK, and even each segment could be vast. A targeted approach, for high-end niche products, is recommended:

- Identify unique and interesting products already in the market in Norway within the market segments mentioned in the report (food on the go, ethical, eco-friendly and fair trade foods, free from foods, online shopping, and waste management)
- Build brand Norway, alternatively co-branding with the other Scandinavian/Nordic countries, by expanding on the Norwegian uniqueness and our closeness to nature and the origins of the food products.
- Advertisement is the single most import factor for increasing sales in the UK
- Participation at Trade Fairs as part of a long term approach
- The UK's largest food and drink event is comming up in March 2017 (International Food and Drink Event)
- Utilize current exposure in the press through Visit Norway and have targeted press tours featuring food as the main attraction.

An export strategy spanning years is necessary to gain market entry.

Smaller companies with a unique product might try moving the whole production to the UK and set up shop as a UK branch of a Norwegian label

- This is what Nasim's Halal Baby Food did and it seems to be a success. The company is still registered in Norway, but does business exclusively in the UK through Online sales, distribution deals with Asda and Tesco and branding through the social media.

Perseverance and funding is key factors for success in the Grocery market in the UK as there is strong growth in vertical consolidation in the supply chain.