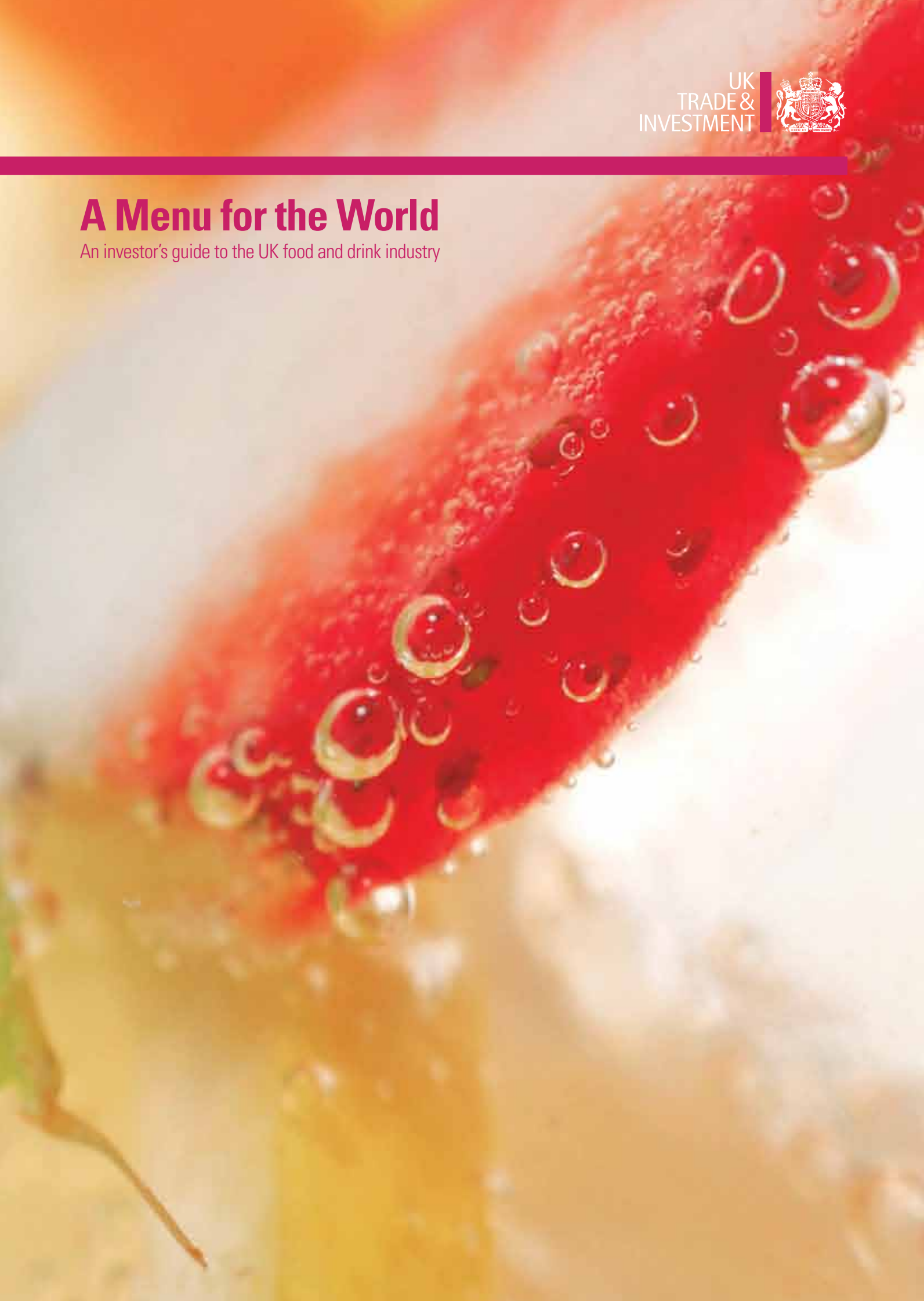


# A Menu for the World

An investor's guide to the UK food and drink industry



"The UK is an ideal springboard to launch a business into the rest of Europe. We have managed to increase our sales volume more than 20 per cent each year, and are looking forward to continued success in the UK."

**Takaharu "Koji" Tsuzuki,**

Chief Representative and General Manager,  
Asahi Breweries Ltd Europe Branch

"There's so much opportunity for a business like ours in the UK. It's a key location for us and a major step towards becoming better known internationally. We get so much exposure here, as our customers come from all over the world."

**Salina Gani**

Learning and Development Manager, PAUL UK

"Since entering the UK we have continued our growth both through acquisitions and organically and we now supply 25 per cent of the total British liquid milk market and are the largest supplier of milk and cream to the UK's major retailers. We also now boast the UK's largest milk brand, Cravendale, and the UK's first lactose-reduced dairy brand, Lactofree. We would recommend the UK as a location for other overseas businesses. We have a well-established retail network, sophisticated consumers, developed marketing techniques and the opportunity to develop and launch new products."

Arla Foods

"We are really pleased with how well NOM Dairy products have been received by the UK market. The high quality of help and advice we received from UK Trade & Investment and Transforming Telford made a huge difference to us in helping to find our base."

**David Potts**

CEO, NOM Dairy

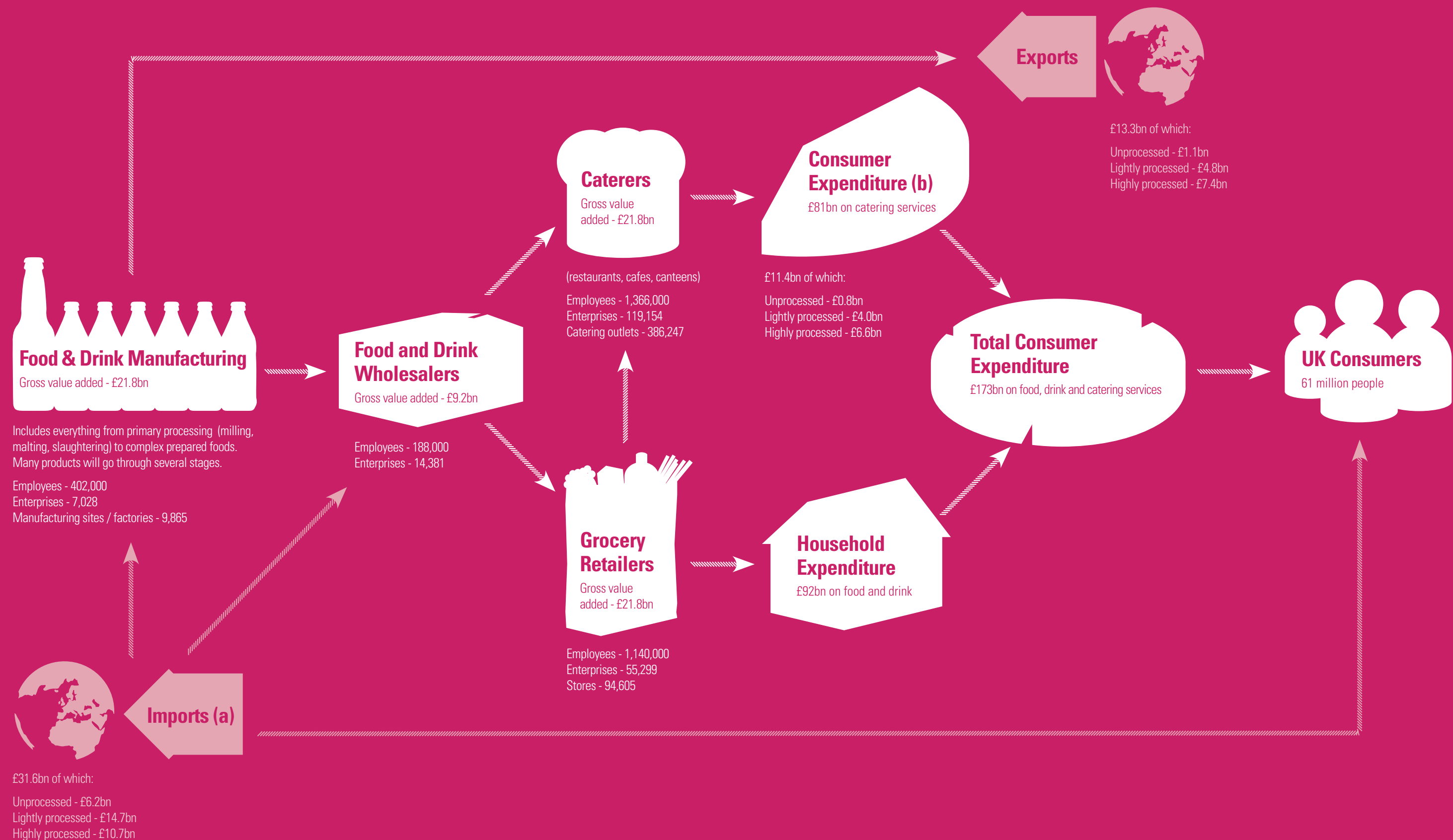
"We found the UK to be an ideal first overseas location for us. The familiar business and operational environment made navigating the legal and administrative system easier and reduced our start-up costs. For our company in particular, the UK's expertise in food processing technology was key – it has enabled us to extend the shelf life of our chilled ready-meal products from the standard 7-10 days to 14-20 days. We now employ over 1400 staff in our UK operations – more than we employ in Singapore."

**Clement Woon**

Chief Executive Officer, Singapore Food Industries



# The value of the UK Food Chain



# The UK market

The UK food and drink market is dynamic, innovative and constantly changing. UK consumers are sophisticated and well-informed. They respond favourably to food and drink that fits with their busy and demanding lifestyles, at the same time as meeting their needs for healthy, delicious and nutritious foods and refreshing high quality drinks. The opportunities for inward investors are extensive and the potential rewards vast. The key is to understand the marketplace.

This brochure is designed to give you an insight into the UK’s dynamic and rapidly expanding food and drink industry.

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# Key strengths

## One of the fastest growing markets in the world

UK consumer expenditure on food, drink and catering rose to £173bn in 2008, up 5.2 per cent on 2007<sup>1</sup>. That makes this one of the fastest growing food and drink markets in the world. And it's not just the UK market that is on offer to investors. The UK is the number one gateway to Europe – the largest single market in the world, with 27 member states and a population of nearly 500 million. Companies that already have an established European presence use the UK as a springboard to the rest of the world. In fact, only the US achieves more outward investment than the UK. In the food and drink sector, UK exports are currently worth around £13.2bn per annum.<sup>2</sup>

## Sophisticated and cosmopolitan consumers

There are 61 million consumers in the UK and they are some of the most sophisticated and cosmopolitan in Europe. This country has the largest ethnic food market in Europe (the UK market was worth around £1.49bn at retail selling prices in 2008), which is a reflection of our adventurous tastes and our increasingly multicultural society. Consumers are health-conscious and taste-savvy. They are open to new ideas and innovative products. Get it right and the rewards are huge.

## The largest manufacturing sector in the UK

Food and drink is the single largest manufacturing sector in the UK, employing over 400,000 people. It is growing at a faster rate than most other sectors of manufacturing. A significant proportion of the top 25 global food and drink companies are based here and the UK food and drink manufacturing sector is second in productivity only to Canada.<sup>3</sup> In 2007, the agri-food sector's productivity increased by 1.2 per cent. The figure for food and drink retailing was 2.9 per cent.<sup>4</sup> This country is renowned as a leader in high tech packaging, health and convenience foods. In 2007, the UK attracted £8.4bn of new overseas investment from food and drink manufacturers.<sup>5</sup>

## A thriving retail sector

The UK has one of the most highly developed grocery retail sectors in Europe, making it a particularly accessible marketplace for overseas investors. Almost three quarters of sales are made in supermarkets and superstores and four large chains have a combined market share of 76 per cent.<sup>6</sup> The Institute of Grocery Distribution (IGD) values retail sales through UK grocery outlets annually and these are increasing year on year.



### Fast and easy access to market

Given its small geographical size, access to consumer markets in the UK is good and distribution costs low. The UK has a world-class transport system, offering fast, easy access from anywhere on the mainland to London, Europe and the rest of the world.

We have the largest air transport system in Europe, over 100 seaports handling the largest volume of freight in Europe and a comprehensive rail and motorway network across the whole of the UK. Our world-class infrastructure and logistics expertise moves the right quantity and quality of product to the right place at the right time.

### Groundbreaking research and development

The world looks to the UK for innovation. As a country, we rank second only to the US for the quality of our research base. Examples of UK innovation include frozen food, ready meals and instant coffee. The UK leads the world in the development of convenience foods, alternative ingredients and functional foods. We have a talented workforce and high tech R&D facilities, equipped with state-of-the-art technology. In 2007/8, R&D investment into the UK increased by 83 per cent<sup>7</sup>. The UK Government takes a proactive approach to encouraging R&D through tax incentives, business support initiatives and close collaboration between companies and the university research base.

### Invest with confidence

It is no accident that the UK attracts more overseas investors than anywhere else in Europe. This country has an internationally competitive tax environment, with a top rate of corporate tax of 28 per cent, the lowest in the G8. The UK is politically and economically stable with an open regulatory framework and strong protection for intellectual property. Food and drink regulations are transparent and light-touch. They safeguard quality and safety and make this one of the most highly-regarded locations in the world for manufacturing food and drink. Ours is a global business culture – you can invest here with confidence.

### Support to make it happen

When you invest in the UK, you can take advantage of the free and confidential support offered by UK Trade & Investment and our partner organisations. We can give you specialist advice relevant to your industry, offer support in setting up a business, introduce you to useful contacts, help you to build collaborative partnerships. All of which means a faster time to market, reduced risk and a greater chance of success. So, let's talk...

1 Source: ONS/DEFRA Food Statistics Pocketbook 2009

2 Source: As above

3 Source: Improve: the Sector Skills Agreement for the Food and Drink Manufacturing Sector

4 Source: ONS/DEFRA Food Statistics Pocketbook 2009

5 Source: ONS Foreign Direct Investment 2007 Report, published February 2009

6 Source: ONS/DEFRA Food Statistics Pocketbook 2009

7 Source: Beta Technology Research and Support to UKTI Food and Drink Investment Brochure



**One of the fastest growing  
markets in the world**



The UK is one of the fastest growing markets in the world for food and drink. The chilled food market alone is worth £7bn and accounts for 60 per cent of the total European chilled food market.<sup>1</sup>

### **Food and drink consumption in the UK**

There are around 61 million consumers in the UK. Consumer expenditure on food, drink and catering was £173bn in 2008, up 5.2 per cent on 2007.<sup>2</sup> Between 2004 and 2008, consumer expenditure on food is estimated to have risen by around 22.3 per cent.<sup>3</sup> For example, in 2007, UK household consumers spent £36.32 per person per week on all food and non-alcoholic drink. They spent £7.96 per person per week on eating out.<sup>4</sup> According to Mintel, the eating out market was worth £31.1bn in 2008 (excluding alcoholic drinks), up 23 per cent since 2003. The UK drinks market is currently worth an estimated £54.13bn<sup>5</sup> per annum.

### **Europe and beyond**

It is not just the growing domestic market that makes the UK such an attractive proposition for food and drink companies. The UK is acknowledged as the number one gateway to Europe. The EU is the largest single market in the world, with a population of nearly 500 million. The UK food and drink sector is an important trading partner with Europe, with two thirds of its estimated £7.5bn food and drink exports going to the EU.<sup>6</sup>

The UK provides a springboard to the rest of the world. This country has outstanding supporting networks and ready-formed clusters of business services that are world class.

The UK's accessible time zone means that companies can communicate across the globe within the same working day. Companies based here also communicate in the world's business language, English.

Perhaps that's why we have significantly more European headquarters in the UK than all our EU partners combined.

**The UK is acknowledged as the number one gateway to Europe. The EU is the largest single market in the world, with a population of nearly 500 million. The UK food and drink sector is an important trading partner with Europe, with two thirds of its estimated £7.5bn food and drink exports going to the EU.<sup>6</sup>**



The UK market is dynamic and diverse. It has shown itself to be innovative and adaptable, and quick to respond to changing trends and pressures within the market.

### **Changing trends, exciting opportunities**

Consumer, regulatory and market pressures are forcing the food and drink industry to provide innovative and speedy solutions to new challenges. This presents exciting opportunities for investors:

#### **The health issue**

Nearly a quarter of adults and around 10 per cent of children in the UK are already classed as obese. The UK Government is investing £372m to encourage the population to eat a more healthy diet. UK food manufacturers have responded by pioneering alternative ingredients that maintain the taste and texture of food while reducing fat, sugar or salt content. In 2007, at least £15bn worth of products had less fat, sugar and salt in them than they did three years previously.<sup>7</sup>

Health is driving new product development in the UK and this country has become a world leader in the production of functional foods and reformulations to improve health credentials. The functional food market has grown steadily at a rate of 13 per cent from £335 million in 2000,<sup>8</sup> with a strong demand for products such as probiotic yoghurts and cholesterol-reducing spreads and milks.

The drinks industry, too, is responding to the growing emphasis on health. Total UK sales of soft drinks were worth £9.83bn in 2007. Sales of bottled water increased in value by 39.4 per cent between 2003 and 2007, so did fruit juices: by 2007, sales of smoothies were worth in excess of £200m.

### **Environmental concerns**

The issues of climate change and sustainability are also at the forefront of the social and political agenda. The UK food and drink industry has already cut its carbon footprint by more than 15 per cent.<sup>9</sup> Products with perceived environmental attributes, such as those with a low carbon footprint, are expected to become increasingly important in coming years.

### **A taste for convenience**

Demand for convenience products is a key driver for innovation. This is attributed to demographic trends like the rise in the number of working women and the growth in single person households, and to modern appliances like the microwave and fridge freezer. Innovative packaging solutions, designed to fit with busy consumer lifestyles, are also helping to fuel growth. In 2007, for example, the UK market saw the first fish products in microwaveable pouch-packs. Sales of fish and fish products are forecast to grow at a faster rate than the rest of the food market in coming years because of these convenient, pre-packed formats which, coupled with their well-documented health benefits, serve to enhance their appeal.

### **The largest ethnic food market in Europe**

UK consumers have always been adventurous in their tastes and, today, this country has the largest ethnic food market in Europe. The UK market for ethnic foods was worth around £1.49bn at retail selling prices in 2008 – 15 per cent up on 2004.<sup>10</sup> The ethnic foods market is highly competitive, so to help maintain and sustain consumer interest, suppliers are constantly reviewing and refreshing their products. Much of the innovation in ethnic foods originates in the UK. Key Note forecasts the market for ethnic foods and rice in the UK will increase to £1.76bn by 2013, a 36 per cent increase since 2004.<sup>11</sup>

1 Source: Key Note Market Review 2009 Food Industry

2 Source: ONS/DEFRA Food Statistics Pocketbook 2009

3 Source: Key Note Market Review 2009 Food Industry

4 Source: ONS/DEFRA Food Statistics Pocketbook 2009

5 Source: 2007 figure taken from Key Note Market Review 2008 Drinks Market

6 Source: Beta technology research support for UKTI

7 Source: Food and Drink Federation

8 Source: Key Note Market Assessment 2008

9 Source: <http://www.fdf.org.uk/hottissuecarbonreduction.aspx>

10 Source: Key Note Market Report Plus 2009 Ethnic Foods

11 Source: Key Note Market Report Plus 2009 Ethnic Foods

## Case Study

**NOM Dairy Vienna****Milking it in Shropshire**

NOM Dairy has been based near Vienna since it started making dairy products in 1902.

In the 1990s, under the direction of ex-Muller director Gerhard Shützner, NOM undertook a large-scale restructure and began focusing on international expansion.

In the late 1990s, the UK food market was undergoing a rapid transformation, moving towards healthier eating habits as lifestyles changed. Up until this time, households in the UK did not include yoghurt as part of their daily staple diet, however, by 2009, 88 per cent of households were buying yoghurt and the category had grown to £1bn in sales.

“We could see that there was a gap in the UK that we wanted to fill,” says David Potts, CEO at NOM Dairy.

In 2007, NOM Dairy began looking for a suitable base in a prominent milk-rich region in the UK. The company approached UK Trade & Investment, via the British Embassy in Austria, for advice and support. Telford in Shropshire quickly emerged as a favourite choice, as David explains:

“We were very impressed with the professionalism we saw from UK Trade & Investment and its local partners, such as Transforming Telford. They were both responsive to our queries and proactive in making sure we considered all the options. We are very happy with our choice to settle in Telford. Many of our employees are from the local area, or within a 20 mile radius. As well as being a key area for the dairy industry, it is superbly located, with easy access to motorways, which is essential for the distribution of the finished products.”

NOM Dairy has recently completed work on a new £60 million dairy in Telford. By next year, it will have the capability to produce more than half a billion pots of yoghurt in the UK. The company has also secured a solid private label business with three of the top four multiples, and is currently rolling out distribution for its ‘Naturally’ brand across the retail trade.

[www.nomdairy.co.uk](http://www.nomdairy.co.uk)





# The largest manufacturing sector in the UK





Food and drink manufacturing is the single largest manufacturing sector in the UK. It accounts for 14 per cent of the UK's entire manufacturing sector with a GVA (Gross Value Added) of £21.8bn.<sup>1</sup> Food and drink manufacturing is growing at a faster rate than most other sectors and also its supply chain is a major part of the UK economy, accounting for 7 per cent of GDP (Gross Domestic Product).<sup>2</sup> The UK is particularly competitive in added-value, branded and skill-intensive products.

**The World Bank ranks the UK as a leading location in Europe to employ workers. This country has a skilled and flexible workforce, with fewer labour regulations than most other European countries. Over 400,000 people are employed in food and drink manufacturing in the UK.**

Across Europe, food and drink manufacturing serves around 500 million consumers and is the largest manufacturing sector in the EU. It has a turnover of €913bn and employs four million people. Around two thirds of UK trade in food and beverages is now conducted freely with other EU member states.

### **Opportunities on a huge scale**

There are almost 7,000 food and drink manufacturing companies operating on around 10,000 sites across the UK.<sup>3</sup> The largest manufacturing group is bakery products, with a GVA of £3.6bn in 2007. Overall, GVA for food and drink manufacturing increased by 16 per cent over a seven year period (2000 to 2007).<sup>4</sup> The sheer scale of the food and drink manufacturing sector in the UK makes this an ideal investment location for overseas companies.

1 Source: ONS/DEFRA Food Statistics Pocketbook 2009

2 Source: Food Matters: Towards a Strategy for the 21st Century, July 2008

3 Source: ONS/DEFRA Food Statistics Pocketbook 2009

4 Source: ONS/DEFRA Food Statistics Pocketbook 2009





### A skilled and productive workforce

Over 400,000 people are employed in food and drink manufacturing in the UK. This workforce is the second most productive in the world with a strong skills base, particularly in crucial areas like R&D, process engineering and business services. As the country has moved from bulk commodity to specialised value-added products, the skilled manufacturing workbase has demonstrated its flexibility by its willingness to up-skill and adopt new working practices.

The skills, knowledge and expertise of our workforce has made the UK renowned across the world as a leader in innovation, particularly in areas like high tech packaging, health and convenience foods.

### An established infrastructure

Whether you're a food or drink manufacturer, an equipment manufacturer, a packaging company or a food and drink distributor, the UK provides everything you need to develop and expand your business, including:

- one of the most sophisticated supply chains in the world, which distributes up to five billion cases of products each year
- a reliable and efficient transport and logistics system, covering comprehensive air, rail, seaports and motorway networks
- a strong network of warehousing and distribution specialists, where delivery from a central point in the UK can be made and returned within 24 hours and products recalled, if necessary, within a matter of hours
- a productive and skilled workforce and a culture of innovation that continues to drive new product development.

## Case Study

**Singapore Food Industries****Food, glorious food!**

In 1973, Singapore Food Industries began providing frozen foods to the military. Today, it is the largest integrated food company in Singapore, with expertise in food manufacturing, processing and distribution. In 2009, the company was acquired by Singapore Airport Terminal Services Ltd.

Singapore Food Industries first came to the UK in 1991 to pursue what it saw as lucrative business opportunities. It was helped along the way by various UK Government agencies, offering regional advice, where needed, and employment grants.

The company went on to acquire three UK subsidiaries, including International Cuisine Ltd, one of the UK's leading extended shelf-life chilled ready-meal manufacturers, and Daniels Chilled Foods, which has a 50 per cent share of the chilled soup market under the brand name New Covent Garden.

**“...we found the UK to be an ideal first overseas location for us. The familiar business and operational environment made navigating the legal and administrative system easier and reduced our start-up costs.”**

Singapore Food Industries was initially drawn to the UK by its competitive business environment and the quality of its workforce. But it has since seen a host of other benefits, as Clement Woon, CEO of Singapore Food Industries, explains:

“Like many Singaporean companies, we found the UK to be an ideal first overseas location for us. The familiar business and operational environment made navigating the legal and administrative system easier and reduced our start-up costs. Recent Government changes to the labour regulations have further enhanced the cost-efficiencies of our operations. And, for our company in particular, the UK's expertise in food processing technology was key – it has enabled us to extend the shelf life of our chilled ready-meal products from the standard 7-10 days to 14-20 days.”

Singapore Food Industries now employs over 1400 staff in its UK operations, more people than it employs in Singapore. Its UK and European operations are responsible for the majority of the Group's turnover and almost half of its profits. In 2007, the company was recognised for its contribution to the UK food and drink industry with the International Business Award from UK Trade & Investment.

- In 2007, the UK attracted £8.4bn of new overseas investment from food and drink manufacturers.
- The UK is a world leader in innovation, ranking second only to the USA for the quality of its research base.
- Every year the UK food and drink industry introduces around 10,000 new products.



A low-angle, upward-looking photograph of modern skyscrapers with glass facades. The buildings are reflected in each other, creating a complex geometric pattern. The sky is a clear, pale blue. A white horizontal bar is positioned above the text.

# Invest with confidence

When you invest in the UK, you're in good company. This country is the third most popular investment location in the world<sup>1</sup> and the most popular choice in Europe for new 'greenfield' investment<sup>2</sup>.

The UK Government is committed to inward investors and has created a sustainable economic environment where businesses can invest with confidence and grow with ease.

### **The best environment to invest**

The UK is low risk. This country is politically and economically stable with an open regulatory framework and strong protection for intellectual property. Transparency International named the UK as one of the most transparent countries in the world to do business, ahead of France, Germany, the US and Japan.

### **A strong economy**

This country offers the ideal economic conditions and unique buying power for companies to grow and thrive. The UK has the fifth largest economy in the world, with a gross domestic product (GDP) of around \$3 trillion, and a stable inflation rate.

### **Pro-business**

The UK Government is pro-business. We have some of the most competitive business and personal taxation rates in Europe - our top rate of corporation tax is 28 per cent, the lowest in the G8. This country is also the easiest place in Europe to set up and run a business. It takes just 13 days to set up a business here compared to a European average of 32 days.<sup>3</sup>

### **World class R&D**

The UK is a world leader in innovation. We rank second only to the US for the quality of our research base and, while we account for only 5 per cent of global research produced, we are responsible for 14 per cent of the world's scientific citations.<sup>4</sup> Our research infrastructure is sophisticated and well-developed, not only in academia but also in businesses with, for example, Kellogg's, PepsiCo, and Nestle having their own sophisticated R&D operations. The UK R&D landscape is rich, with collaborations between universities and companies often supported by funding from Government R&D schemes.



### **Number one city for business**

London has been voted number one city for business for 19 years running by the European Cities Monitor. The Global Financial Centre's Index, published by City of London Corporation, also places London as the number one financial centre for international competitiveness.

### **Light-touch food and drink regulations**

The UK is one of the most highly-regarded locations in the world for manufacturing food and drink, renowned for its high quality, wholesome raw materials and safe manufactured foods. Food and drink manufactured here is distributed around the globe and comes with the assurance of authenticity and safety.

An important contributing factor in this is the fact that the UK food and drink industry is regulated by transparent, light-touch regulations which are designed to safeguard quality and safety, as well as protecting both the consumer and the supplier from hazards like microbial contamination, toxicity or anything that might compromise high quality standards. The industry benefits from guidelines for interpreting EU food and food labelling regulations that are clear, concise and unambiguous.

### **The Government's vision for food and drink**

The food chain has huge environmental impacts but the UK Government's vision is for a food system that is more sustainable. Its policy objectives are to ensure fair prices for all, choice, access to food and food security through open and competitive markets. It is also committed to continuous improvements in food safety, more widespread transition to healthier diets and a more environmentally-sustainable food chain.

**Our research infrastructure is sophisticated and well-developed, not only in academia but also in businesses with, for example, Kellogg's, PepsiCo, and Nestlé having their own sophisticated R&D operations. UK R&D landscape is rich, with collaborations between universities and companies often supported by funding from the Government R&D schemes.**

1 Source: UNCTAD 2009

2 Source: World Investment Report 2009

3 Source: World Bank

4 Thomson ISI



## Case Study

**Mission Foods****On a mission**

Mexican multinational Gruma has approximately 20,000 employees and 92 plants across the world. The company markets its products in 100 different countries, via its global brands Maseca and Mission, as well as other local brands. In 2008, Gruma had a turnover of US\$3.2bn, of which 71 per cent came from non-Mexican operations.

Following success and consolidation in the American Continent, the UK was chosen as a key market for Gruma's expansion into Europe. The UK's advanced economy, its multi-cultural society, and willingness to embrace global eating trends were important reasons behind this decision.

In 1997, Gruma began exporting tortillas to the UK from its affiliates in the United States. In 2000, it opened its first tortilla and tortilla chip plant at Coventry in the West Midlands, enabling the company to increase distribution significantly and offer tailor-made products for customers. Six years later, the company acquired a flatbreads plant in Seaham near Newcastle, widening the company's portfolio to include naan and pitta breads.

**The UK's advanced economy, its multi-cultural society, and willingness to embrace global eating trends were important reasons behind this decision.**

Gruma's worldwide brand Mission was launched into the UK retail market the same year, with the introduction of Mission Deli Wraps. The launch received substantial marketing support, which has increased year on year. The brand has grown to become the leading tortilla wrap in the retail bakery sector, available in four different varieties.

Today, the UK operation has 400 employees across the two plants. Mission has achieved leadership in the retail wraps category and significantly contributed to overall category growth since 2006. Market share in the wraps bakery sector currently stands at over 40 per cent. Mission is also a leader in the institutional sandwich-makers sector, foodservice and quick service restaurants.



# Sophisticated and cosmopolitan consumers



There are 61 million consumers in the UK and they are some of the most sophisticated and cosmopolitan in the world.

In 2008, consumer expenditure on food rose to an estimated £173bn, up 5.2 per cent on 2007.<sup>1</sup> The UK drinks market is currently worth an estimated £54.13bn per annum.<sup>2</sup> In 2007, UK household consumers spent £36.32 per person per week on food and non-alcoholic drink; £7.96 per person per week was spent on food and non-alcoholic drink eaten out.<sup>3</sup> Shopping, cooking and eating patterns demonstrate an increasing interest among consumers in the convenience, taste, quality and origin of food. The UK population is continuing to increase, boosted by an ongoing rise in immigration. This is having an impact both on the size of the food and drink market and the types of products that are demanded.

**The market for ethnic foods is forecast to increase in value by more than a third (36 per cent) between 2004 and 2013 – up to £1.76bn.<sup>5</sup> In 2008, the retail value of all ethnic cuisine was already estimated to be in excess of £1.3bn.<sup>6</sup>**

### **Adventurous tastes**

Each year, the food and drink industry introduces 10,000 new products to satisfy the UK's hunger for new tastes and formats. The UK has the largest ethnic food market in Europe (worth around £1.49bn at retail selling prices in 2008),<sup>4</sup> reflecting this country's adventurous tastes and increasingly multicultural society. Some ethnic foods have been fully incorporated into the British diet, with new immigrants and the rise in global travel opening up new ethnic food markets. Much of the innovation in ethnic foods originates in the UK, as suppliers seek to maintain consumer interest by constantly reviewing and refreshing their products.

### **A focus on health**

Healthy eating is one of the strongest trends in the UK marketplace. Sales of fish and fish products, and fruit and vegetables showed the fastest growth between 2004 and 2008, up by 48.8 per cent and 28 per cent respectively,<sup>7</sup> in line with growing health awareness.

Consumers are demanding products which contain less fat, sugar and salt, and which also have added health benefits like probiotic yoghurts.



### Premium-priced products

And, it's not just healthy foods that command a premium price. Consumers are willing to pay more for added-value products which fit with their busy, demanding lifestyles, too. Grated and sliced cheese, for example, retails at a premium and new product development across the meat sector is focused on snack formulas and convenience options. Consumers have also shown an increasing willingness to pay more for products that adhere to a set of values, such as free-range, ethical and fair-trade items. Sales of ethical food and drink, including organic, fair-trade, free-range and freedom foods (an assurance scheme for high animal welfare standards) accounted for £4.2bn in 2007, an increase of 17 per cent on 2007. Sales of organic food alone rose by 10 per cent in 2007 to £1.9bn.<sup>8</sup>



### A £7bn chilled food sector

Eating habits have changed in the UK in response to changing lifestyles creating a huge and growing market for convenience foods. The chilled food sector in the UK is worth around £7bn and accounts for 60 per cent of the entire European chilled food market. According to the 2008 BRMB International Target Group Index survey, 40.1 per cent of adults in Great Britain bought chilled and frozen ready-meals in the 12 months preceding the survey.

Traditional family mealtimes are often replaced by snacking occasions and this is also creating new opportunities for producers. Breakfast cereal manufacturers, for example, are repositioning many of their products as an any-time snack and launching single-serve items.

The UK is a vibrant and rapidly-changing marketplace which offers huge potential rewards to investors. Consumers are taste-savvy and they read labels. They understand about the importance of healthy eating but they also want foods that fit with their busy lifestyles.

### Unique spending power

Food and drink manufacturers who get it right stand to capitalise on one of the most affluent markets in the world. One in four UK households (eight million) is forecast to have more than US\$1m in assets by 2016. This is the highest concentration of US\$1m households anywhere in the world.

- 1 Source: ONS/DEFRA Food Statistics Pocketbook 2009
- 2 Source: 2007 figure taken from Key Note Market Review 2008 Drinks Market
- 3 Source: ONS/DEFRA Food Statistics Pocketbook 2009
- 4 Source: 2007 figure taken from Key Note Market Review 2008 Drinks Market
- 5 Source: Key Note Market Report Plus 2009: Ethnic Foods
- 6 Source: ONS/DEFRA Food Statistics Pocketbook 2009
- 7 Source: Key Note Market Review 2009 Food Industry
- 8 Source: ONS/DEFRA Food Statistics Pocketbook 2009

## Case Study

**vida e caffè****Quality choice**

Since 2001, vida e caffè has specialised in serving its customers consistently great espresso and espresso-based coffee in a friendly, welcoming environment. It has 40 stores across its home country of South Africa and, in 2009, was ready to look further afield.

Shaun Bond, Marketing Director of vida, explains: “We considered various locations for our first overseas store. But, when we came to London and found an existing lease in Regent Street that we were able to take over, we jumped at the chance to make the most of this rare opportunity.”

Having secured premises in one of London’s most sought-after locations, vida turned to UK Trade & Investment for help in getting ready to open. As a foreign business, vida was subject to strict requirements regarding business licences and staff visas. UK Trade & Investment was able to supply references and information to the Home Office to smooth the way. It helped vida to achieve an A-rated UKBA sponsor licence, which allowed it to bring its own staff to work here.

As well as helping with the business-critical issues, UK Trade & Investment offered much practical advice that was helpful, too, such as advising the company to apply for 50 visas at once, even though it only needed five, as it would save time and money later.

Shaun adds: “UK Trade & Investment really paved the way for us, thinking of little things that made a big difference. Our trade adviser was amazingly helpful and professional, offering answers before we even knew we had a question! Our first store is now up and running, and people are really taking to the vida concept. We’re already keeping an eye out for our next London store, and we will always turn to UK Trade & Investment to make the most of their expertise.”

[www.vidaecaffe.com](http://www.vidaecaffe.com)

**UK Trade & Investment was able to supply references and information to the Home Office to smooth the way. It helped vida to achieve an A-rated UKBA sponsor licence, which allowed it to bring its own staff to work here.**

- There are around 61 million consumers in the UK. Consumer expenditure on food, drink and catering was £173bn in 2008.
- The UK has the largest ethnic food market in Europe (worth around £1.49bn at retail selling prices in 2008).
- The eating out market was worth £31.1bn in 2008 (excluding alcoholic drinks), up 23 per cent since 2003.

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**Fast and easy  
access to market**



The UK is geographically compact, so wherever you choose to locate your business, you will be close to suppliers and consumers. The UK has a thriving food and drink industry, with a concentration of primary produce suppliers, ingredients manufacturers, food processors, wholesalers and distributors. It is one of the easiest and most convenient places in the world to locate your food and drink business.

**There are nearly 3,600 kilometres of motorway traversing the UK, making travelling by road easy and quick. The latest figures from the EU<sup>1</sup> show that 87 per cent of all UK freight is transported by road and, in fact, lorries that collect from a central depot can deliver anywhere in the UK, and return, within 24 hours.**

### **A world-class transport network**

The UK has world-class transport links. This country has the largest air transport system in Europe and international airports, such as Heathrow, Gatwick, Manchester, Stansted, Birmingham and Glasgow, link to locations all over the world. With more than 67 million passengers a year, Heathrow is the busiest international airport in Europe and the third largest in the world. The UK has more than 100 seaports, handling the largest volume of freight in Europe. Further expansion is planned for the international airports at Stansted and London City and for sea container terminals at London Gateway and Felixstowe.

Rail journeys across the UK are fast and getting faster, with planned new high speed links. Currently, it takes just 2 hours and 31 minutes from Paris to London by rail, 2 hours and 6 minutes from Brussels and 1 hour and 29 minutes from Birmingham. A privatised rail network covers the UK and links, via the Channel Tunnel, to all locations in mainline Europe.



## The supply chain

The UK food and drink industry supply chain is recognised for its leading edge performance across the world. Retailers receive deliveries several times a day of fresh foods appropriate to the weather and season. Suppliers guarantee availability and reliability, and retailers have the ability to track from farm or field to shelf. The entire UK supply chain is responsive and highly adaptable. During a heatwave, for example, suppliers can respond quickly to increased demand; at holiday times such as Easter and Christmas, seasonal produce is readily available; and throughout the year manufacturers are geared up to meet a rapid rise in sales resulting from special retail offers.

Supply chain activities are either managed in-house by grocery retailers and manufacturers, or they are outsourced to third-party logistics providers.

Temperature is critical when transporting food and grocery products. Composite distribution centres and multi-temperature delivery vehicles ensure that foods are delivered on time and in perfect condition to retailers across the UK. This ensures continuous on-shelf availability with minimum wastage. According to the Institute of Grocery Distribution's Retail Logistic Report 2008, up to five billion cases of products are distributed through 35.9 million sq.ft of warehouse space each year.

## Wholesaling

Wholesalers link primary producers and manufacturers with small and large retailers, food service outlets and professional business users. In 2007, the wholesaling sector had a turnover of £75.3bn. Gross Value Added in the sector has increased by 65 per cent since 2000 to £9.2bn in 2007.<sup>2</sup>

## A world leader in traceability

Across UK manufacturing sites, there is rigorous quality control and testing. In the unlikely event of an undetected problem in food production or processing, food can be traced and recalled in a matter of hours to protect the consumer. The affected supplier can be isolated and the problem addressed. It is even possible to trace a particular cow or sheep, or a grower who produced a vegetable.

<sup>1</sup> Source: Eurostat, 2009

<sup>2</sup> Source: ONS/DEFRA Food Statistics Pocketbook 2009



## Case Study

**Asahi, Japan****Success on tap**

In 1998, one of Japan's most popular beer brewers decided to travel half-way around the world in the hope of breaking into the UK and Europe. Today, 11 years later, the UK is Asahi's biggest market in Europe and the base for its European headquarters.

Takaharu "Koji" Tsuzuki, Chief Representative and General Manager of Asahi Breweries Ltd Europe Branch, recalls: "We first started thinking of expanding into the UK in the mid 1990s, and always knew we wanted this office to be a springboard to Europe."

Research revealed a large demand for premium beers in the UK and the company was impressed with the UK's business culture and high ethical standards of the business community.

The company set up its first UK branch in London to increase distribution of its beer in European countries. "UK consumers are very accepting of new brands of beer," comments Takaharu. "Fosters, Carlsberg and Stella Artois are all foreign and have been fully accepted into the market."

Asahi's popularity continued to grow in the UK, and the company looked for a way to produce its beer locally. In 2005, it teamed up with Shepherd Neame, one of Britain's oldest breweries, and licensed the production of Asahi Super Dry. Shepherd Neame now markets and distributes Asahi Super Dry around the UK. The beer is sold on draught in more than 500 pubs, as well as in the bottle in restaurants and supermarkets around the country.

"The UK is an ideal springboard to launch a business into the rest of Europe," concludes Takaharu. "We knew that from here we would be able to target other markets."

[www.asahibeer.co.uk](http://www.asahibeer.co.uk)



**"We have managed to increase our sales volume more than 20 per cent each year, and are looking forward to continued success in the UK."**



## Groundbreaking research and development

The UK is internationally renowned as a pioneer and innovator. It is a world leader in R&D, ranked second only to the US for the quality of its research base. The top six universities in Europe are here and two of the top three in the world. The UK is ranked as the best performer in the G8 leading economies per unit of R&D spend (in terms of publications per person per £ spent).<sup>1</sup>

The UK's food and drink sector is acknowledged as one of the most innovative and dynamic in the world. This country pioneered frozen food, ready-meals and instant coffee. Now, a whole new wave of product innovations and developments are transforming the way people eat and drink. For example, the UK is at the forefront of functional food development. The functional food market is currently worth around £1.2bn in this country and has grown steadily at a rate of 13 per cent, from £335 million in 2000.<sup>2</sup>

The UK's Food and Environment Research Agency is one of the few laboratories in Europe engaged in research into the safety implications for human health and the environment. It uses complex techniques and applies innovative scientific disciplines such as nanotechnology. The UK also leads the world in the development of convenience foods, alternative ingredients which help to reduce the fat, salt and sugar content of existing foods and in innovative packaging solutions.

### **High level Government backing and R&D support**

The UK Government is firmly behind R&D and takes a proactive approach to encouraging innovation. It funds the Knowledge Transfer Networks (KTNs), which bring together organisations to exchange knowledge and stimulate innovation. The KTN for the food industry aims to facilitate the introduction of new techniques and equipment that increase the efficiency and quality of food manufacturing. There are also KTNs for nanotechnology, bioprocessing and bioscience.<sup>3</sup>

The Government provides R&D Tax Credits to help fund research for qualifying companies, and it introduced a grant for Research and Development to help small and medium-sized businesses in England to research innovative products and processes. A similar scheme is available in Wales, Scotland and Northern Ireland. The Technology Strategy Board helps to stimulate technology-enabled innovation in areas which offer the greatest scope for boosting UK growth and productivity and Department of Environment, Food and Rural Affairs (DEFRA) runs the Advanced Food Manufacturing Programme, whose primary aim is to improve the sustainability of UK food manufacturing by developing innovation processes to reduce costs, as well as the popular DEFRA Food and Drink LINK programmes.



## World-class research talent

Food and drink-related research organisations in the UK are some of the best in the world. Campden BRI carries out research and development for the worldwide food and drink industry and is the largest independent membership-based organisation in the world for food manufacturers. Its specialist areas include brewing, malting and wine, cereals, milling and baking, microbiology and information and legislation. Brewlab is a leading provider of training and analysis services for the international brewing industry. And more than 1,000 companies worldwide rely on the market intelligence, food research and analysis, food legislation information, training, business and technical information provided by Leatherhead Food International, which also carries out research for the EU, the Food Standards Agency and the Department of Health.

The Institute of Food Research in Norwich is a world leader in research into harnessing food for health and in controlling food-related diseases. It is helping to address the UK's major challenges of combating obesity and promoting healthy ageing. Here, scientists have spent 12 years perfecting a simulated human gut, which offers an unprecedented view of digestion by simulating every stage, including the biochemical and physical processes. This is a world first and it has huge potential benefits for the clinical evaluation of both food and drugs. The model gut could be used to help develop new products, to reformulate existing products and to assess food claims (vital under new EU legislation). It can also look at food-food and food-drug interactions, to assess microbial survival, to look at the effect of disease conditions on nutrition and to replace and/or improve on the use of animal models. The Government-supported International Agri-Technology Centre Ltd (IATC) is an organisation that is dedicated to promoting skills and expertise in agri-food and related technology areas ([www.theiatc.org](http://www.theiatc.org)).

## University breakthroughs

Within the UK's universities, groundbreaking work is taking place that will have major implications for the food and drink industry worldwide. At the University of Strathclyde in Glasgow, for example, scientists are working on the development of intelligent inks that could be used to identify the status of food in Modified Atmosphere Packaging (MAP). Oxygen is vital for the micro-organisms that cause food spoilage to survive. Researchers at the university have developed the first UV-activated colour ink that is oxygen sensitive. The ink reacts when oxygen is present, and so it could be used to provide 100 per cent quality assurance to packagers, retailers and consumers that the packaging is intact and the food inside is safe to eat.

At the University of Nottingham, the Flavour Technology Research Group (part of the School of Biosciences) is helping to develop reduced-fat food products that taste the same as the regular fat alternatives by combining sensory science with in-vivo flavour analyses. They are also working on novel salt reduction strategies. This is a vital development for the UK's burgeoning food reformulation market. The Food Formulation Engineering group, which is part of the Chemical Engineering Department at the University of Birmingham, is involved in the design of food processes and microstructures. Its focus is on helping the food industry to develop healthy foods that are convenient, safe and fit easily into a normal diet, as well as modifying foods that are seen as indulgent to make them healthy. It also assists in designing food processes with zero waste, helping to reduce environmental impact.

There are many other leading UK universities that are geared to supporting investors in food and drink companies, including the world-renowned University of Reading which, in addition to agricultural and veterinary sciences, excels in associated businesses-related courses such as Agricultural Economics. In its directory of expertise in the UK agri-food sector, the IATC lists over 300 organisations.<sup>4</sup>

<sup>1</sup> Source: The UK's Compelling Message, UK Trade & Investment

<sup>2</sup> Source: Key Note Market Assessment 2008

<sup>3</sup> Source: [www.ktnetworks.co.uk](http://www.ktnetworks.co.uk)

<sup>4</sup> Source: [www.theiatc.org](http://www.theiatc.org)

## Innovative organisations

Large food and drink companies in the UK have their own dedicated centres of excellence in R&D, such as Unilever's two global research facilities at Port Sunlight and Colworth and PepsiCo's £15m centre of excellence in Beaumont Leys, Leicester. Organisations like WRAP (the Waste & Resources Action Programme) work alongside large organisations like these to achieve improvements with positive environmental impacts. In the case of Coca-Cola Enterprises (CCE), for example, WRAP helped the company to minimise packaging by developing the lightest ever PET 500ml bottle in the UK. The successful collaboration resulted in a weight reduction of the bottles from 26g to 24g – a saving of 8 per cent. The new process was rolled out at CCE's manufacturing sites at Sidcup and Wakefield and saves approximately 1,400 tonnes of PET plastic every year.

## UK – Innovation nation

The UK is a great place to help you bring your ideas to market. Here, you will find:

- an excellent, innovative and professional food and drink research base
- clear details of all players available in the unique IATC directory of support organisations (updated annually)
- business-facing membership organisations that will work with you on a confidential basis to bring your ideas to market and to solve any problems you might have
- a ready market for innovative products.

UKTI will be happy to help you with guidance and links into relevant R&D organisations and contacts in the UK.



## External research centres:

- 1 Campden BRI  
[www.campden.co.uk](http://www.campden.co.uk)
- 2 Centre for Ecology & Hydrology (CEH)  
[www.ceh.ac.uk](http://www.ceh.ac.uk)
- 3 East Malling Research Centre  
[www.emr.ac.uk](http://www.emr.ac.uk)
- 4 Food Chain Centre of Industrial Collaboration University of Leeds  
[www.foodchancic.co.uk](http://www.foodchancic.co.uk)
- 5 Harper Adams College  
[www.harper-adams.ac.uk](http://www.harper-adams.ac.uk)
- 6 Henry Doubleday Research Association  
[www.gardenorganic.org.uk](http://www.gardenorganic.org.uk)
- 7 Institute of Food Research IFR  
[www.ifr.ac.uk](http://www.ifr.ac.uk)
- 8 Institute of Animal Research (8a, 8b, 8c)  
[www.iah.bbsrc.ac.uk](http://www.iah.bbsrc.ac.uk)
- 9 Institute Food Science and Technology  
[www.ifst.org](http://www.ifst.org)
- 10 International Pesticide Application Research Centre  
[www.iparc.org.uk](http://www.iparc.org.uk)
- 11 John Innes Research Centre  
[www.jic.ac.uk](http://www.jic.ac.uk)
- 12 Leatherhead Food International  
[www.leatherheadfood.com](http://www.leatherheadfood.com)
- 13 Macaulay Institute  
[www.macaulay.ac.uk](http://www.macaulay.ac.uk)
- 14 Royal Horticultural Society RHS  
[www.RHS.org.uk](http://www.RHS.org.uk)
- 15 Scottish Agricultural College  
[www.sac.ac.uk](http://www.sac.ac.uk)
- 16 Scottish Crop Research Institute  
[www.scri.ac.uk](http://www.scri.ac.uk)
- 17 Scottish Whisky Research Institute  
[www.swri.co.uk](http://www.swri.co.uk)
- 18 Unilever Research Colworth House  
[www.colworthpark.com](http://www.colworthpark.com)

## University research centres:

- 19 Aberdeen  
[www.abdn.ac.uk](http://www.abdn.ac.uk)
- 20 Aberystwyth  
[www.aber.ac.uk](http://www.aber.ac.uk)
- 21 Bangor  
[www.bangor.ac.uk](http://www.bangor.ac.uk)
- 22 Birmingham Formulation Engineering Research  
[www.eng.bham.ac.uk](http://www.eng.bham.ac.uk)
- 23 Bristol  
[www.bristol.ac.uk](http://www.bristol.ac.uk)
- 24 Cambridge (plant sciences)  
[www.plantsci.cam.ac.uk](http://www.plantsci.cam.ac.uk)
- 25 University College London  
[www.ucl.ac.uk](http://www.ucl.ac.uk)
- 26 Cranfield  
[www.cranfield.ac.uk](http://www.cranfield.ac.uk)
- 27 Edinburgh  
[www.ed.ac.uk](http://www.ed.ac.uk)
- 28 East Anglia  
[www.uea.ac.uk](http://www.uea.ac.uk)
- 29 Hull (fisheries institute)  
[www.hull.ac.uk](http://www.hull.ac.uk)
- 30 Herriott-Watt  
[www.hw.ac.uk](http://www.hw.ac.uk)
- 31 Imperial College Institute Mechanical Engineering  
[www.imperial.ac.uk/biomedeng](http://www.imperial.ac.uk/biomedeng)
- 32 Leeds Centre of Plant Sciences  
[www.plants.leeds.ac.uk](http://www.plants.leeds.ac.uk)
- 33 University of London Royal Veterinary College  
[www.rvc.ac.uk](http://www.rvc.ac.uk)
- 34 Manchester Sataka Centre for Grain Processing  
[www.ceas.manchester.ac.uk/research/centres/satakecentre](http://www.ceas.manchester.ac.uk/research/centres/satakecentre)
- 35 Newcastle School of Agriculture, Food & Rural Research  
[www.ncl.ac.uk/afrr](http://www.ncl.ac.uk/afrr)
- 36 Nottingham Sutton Bonnington (food science)  
[www.nottingham.ac.uk/biosciences/ah](http://www.nottingham.ac.uk/biosciences/ah)
- 37 Nottingham Biology  
[www.nottingham.ac.uk/biology](http://www.nottingham.ac.uk/biology)
- 38 Oxford Brookes Food and Nutrition Research Group  
[www.brookes.ac.uk/lifesci/research/groups/humanmedbio/nutrition](http://www.brookes.ac.uk/lifesci/research/groups/humanmedbio/nutrition)
- 39 Oxford Plant Sciences  
[www.plants.ox.ac.uk](http://www.plants.ox.ac.uk)
- 40 Queens University Belfast  
[www.qub.ac.uk](http://www.qub.ac.uk)
- 41 Reading School of Agriculture, Policy and Development  
[www.reading.ac.uk/apd](http://www.reading.ac.uk/apd)
- 42 Sheffield  
[www.shaf.ac.uk](http://www.shaf.ac.uk)
- 43 Stirling Aquaculture and Fisheries  
[www.aqua.stir.ac.uk](http://www.aqua.stir.ac.uk)
- 44 Swansea Centre for Sustainable Aquaculture Research (CSAR)  
[www.swan.ac.uk](http://www.swan.ac.uk)
- 45 York  
[www.york.ac.uk](http://www.york.ac.uk)
- 46 Veterinary Laboratories Agency  
[www.defra.gov.uk](http://www.defra.gov.uk)
- 47 Warwick Horticulture Research International  
<http://www2.warwick.ac.uk/fac/sci/whri/>
- 48 Food and Environmental Research Agency (FERA)  
[www.fera.defra.gov.uk](http://www.fera.defra.gov.uk)





### Research centre locations by region:

<b>A</b> Northern Ireland	40	<b>G</b> West Midlands	5, 6, 22, 47
<b>B</b> Scotland	8b, 13, 15, 16, 17, 19, 30, 43	<b>H</b> East Midlands	36, 37
<b>C</b> North West	34	<b>I</b> South West	1, 23
<b>D</b> North East	35	<b>J</b> South East	2, 3, 7, 8a, 8c, 10, 12, 26, 27, 38, 39, 41
<b>E</b> Yorkshire & Humber	4, 29, 32, 42, 45, 48	<b>K</b> London	9, 14, 25, 31, 33, 46
<b>F</b> Wales	20, 21, 44	<b>L</b> East of England	11, 18, 24, 28



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## A thriving retail sector

The retail market in the UK is one of the most concentrated and accessible in Europe. Almost three quarters of sales are made in supermarkets and superstores, and 76 per cent of the market is in the hands of four retailers (Tesco, Asda, Sainsbury and Morrisons).<sup>1</sup> In 2008, household expenditure on food and drink was £92bn. Consumer expenditure on catering services was £81bn, making total consumer expenditure on food, drink and catering services worth £173bn.<sup>2</sup> The UK drinks market alone is worth an estimated £54.13bn per annum.<sup>3</sup>

The UK's more liberal business environment makes this country a far more accessible and open market to inward investors. This is reflected in the fact that the UK attracted £8.4bn of overseas investment from food and drink manufacturers in 2007.<sup>4</sup>

**The internet is transforming the way many people shop and giving them access to a wider range of specialised products and suppliers. Most UK multiples now offer online ordering and the number of consumers using these services is rising rapidly. Sainsbury's, for example, reported a 43 per cent rise in online sales in 2008.**

### **Supermarkets as drivers of change**

Supermarkets are important drivers of change in UK consumer behaviour. They play a crucial role in promoting healthy eating through their advertising and special promotions. For example, according to The Grocer magazine, supermarkets have increased the share of prime promotional space given to fruit and vegetables by 81 per cent year on year.

Supermarkets have also responded to environmental concerns by proactively encouraging consumers to re-use carrier bags and/or replace single-use bags with Bags for Life or jute bags. A report prepared by WRAP (the Waste & Resources Action Programme) explains how Asda led the way in the UK by removing all single-use carrier bags from view at its checkouts in June 2008. This step, along with revamping its range of reusable bags, introducing a 5p Bag for Life and adding new jute and woven bags to the range, helped Asda achieve an increase in the sale of reusable bags of more than 1,200 per cent.

Supermarkets are also pivotal in bringing about changes in food and drink manufacturing. For example, in response to growing health concerns, consumers are increasingly demanding products that are lower in fat, salt and sugar, as well as specialised organic food and drink options. In order to satisfy these changing consumer tastes, manufacturers are reformulating many existing products and developing new product lines that are healthy and tasty.





## A rise in discounters and farmers' markets

Convenience stores, which make up the majority of the market after supermarkets, have responded to competitive pressures by sharing common branding and economies of scale. The UK has attracted major European discounters like Aldi, Netto and Lidl, which have increased their market share as a result of consumers becoming more cost-conscious during the economic downturn. There has also been a rapid growth in the number of farmers' markets, as some consumers have become increasingly interested in the quality and provenance of food. Today, there are approximately 580 farmers markets across the UK.<sup>5</sup>

## Online shopping

The internet is transforming the way many people shop and giving them access to a wider range of specialised products and suppliers. Most UK multiples now offer online ordering and the number of consumers using these services is rising rapidly. Sainsbury's, for example, reported a 43 per cent rise in online sales in 2008. This trend will continue to grow as more and more consumers – among them the elderly and housebound, busy professionals or families without access to suitable transport – turn to on-line shopping.

## Hungry for new

Every year the UK food and drink industry introduces around 10,000 new products.<sup>6</sup> Consumers are hungry for new tastes and innovative ideas: retail sales of Thai and some other ethnic foods have increased by 81 per cent since 2002 to an estimated £208m in 2008. The same year, the retail value of all ethnic cuisine was estimated to be in excess of £1.3bn.<sup>7</sup> Sales of ethical foods, such as organic, fair-trade, free range and freedom foods (which help to safeguard high standards of animal welfare), account for 5.1 per cent of the consumer's shopping basket.<sup>8</sup> This level of spend is set to continue in spite of the credit squeeze, reflecting the strength of consumer concerns. In 2009, the number of consumers saying they purchased foods that support fair-trade was 25 per cent – almost three times more than in 2006, when it was only 9 per cent.<sup>9</sup> All of this makes the UK a very appealing market for investors.

## The food services market

Eating out has increased substantially in the UK in recent years. According to Mintel, the eating out market was worth £31.1bn in 2008 (excluding alcoholic drinks), having grown by 23 per cent since 2003.<sup>10</sup> Pub catering sales grew by 32 per cent between 2003 and 2008 and now account for nearly a quarter of the eating out market. Restaurant meal sales grew by 25 per cent over the same period to £4.4bn in 2008. Sales of fast food rose by 22 per cent between 2003 and 2008 to £8.2bn.<sup>11</sup> This rapid and sustained growth within the food services sector offers strong opportunities for a wide range of potential investors.

1 Source: ONS/DEFRA Food Statistics Pocketbook 2009

2 Source: ONS/DEFRA Food Statistics Pocketbook 2009

3 Source: 2007 figure taken from Key Note Market Review 2008 Drinks Market

4 Source: Office of National Statistics, Foreign Direct Investment 2007 Report, published February 2009

5 Source: Key Note Market Review 2009 Food Industry

6 Source: Food Matters: Towards a Strategy for the 21st Century, July 2008

7 Source: ONS/DEFRA Food Statistics Pocketbook 2009

8 Source: IGD European Grocery Retailing 2005

9 Source: ONS/DEFRA Food Statistics Pocketbook 2009

10 Source: ONS/DEFRA Food Statistics Pocketbook 2009

11 Source: ONS/DEFRA Food Statistics Pocketbook 2009

## Case Study

**Paul, UK****Let them eat bread!**

For 120 years, one French family has been passionately committed to the best traditional baking. PAUL began with a small local bakery in Croix, near Lille. Four generations later the name is known throughout France and, increasingly, around the world.

The first PAUL bakery outside France opened in Barcelona in 1987. Since then, PAUL stores have been established as far away as the US, Dubai, Japan and the Netherlands, most as franchises.

In 2000, the first PAUL shop and restaurant opened in London. Four more stores quickly followed and a London-based bakery. By 2004, the London business was booming, and PAUL UK Limited was formed together with private investors.

Today, as well as serving customers in 22 shops around London, PAUL supplies shops, retailers, hotels and restaurants.

“There’s so much opportunity for a business like ours in the UK. Consumers may not be used to buying fresh bread every day like the French, but they appreciate good quality and tend to see PAUL as an exclusive brand.” says Salina Gani, Learning and Development Manager at PAUL UK. “London is a key location for us and a major step towards becoming better known internationally. We get so much exposure here, as our customers come from all over the world.”

[www.paul-uk.com](http://www.paul-uk.com)



A woman in a black dress and high heels is walking in a modern office lobby. The lobby features large, light-colored columns and a polished floor that reflects the light. In the background, there are several black armchairs and a low table. The overall atmosphere is professional and contemporary.

## Support to make it happen



By working with UKTI you will be able to access a world-class package of support from us and our partner organisations.

### **A specialist project team on-the-ground**

UKTI is the Government organisation that helps overseas-owned businesses establish in the UK and grow internationally. We work in partnership with overseas companies, providing a fully integrated service that is free, confidential and matched to your precise requirements.

We have over 150 offices in around 100 overseas markets, and, together with our UK regional development agencies and private sector partners, we offer a joined-up network that gives you unparalleled global reach with deep local knowledge of the UK. We are respected internationally for the quality of our support, and the expertise of our specialists in areas like planning, skills, regulation, R&D and tax.

### **Here to help you**

Working with us will help you get to market faster because we have detailed market knowledge and a vast network of specialist resources. We will save you time, money and resources by providing short-cuts to the information, people and organisations you need to connect with to make your investment decisions. We will help you find a site that matches your needs and can compare locations using a sophisticated benchmarking comparative tool. We can assist you in recruiting the best people. We can also help you to build collaborative partnerships and to grow and expand once you're here.

With all of the support available to overseas investors, it is easy to see why the UK remains one of the most popular inward investment locations in Europe and why success rates here are high. You can invest here with confidence and we can make the process of investing here simple and straightforward. So, let's talk...

**UKTI can help with:**

### **Research and information**

The UKTI website provides comprehensive and constantly updated general information on the economy, skills and employment, regulation and tax, as well as more specific industry news and Government announcements. If you'd like help with research, guidance and support for your individual requirements, one of our advisors will be happy to help.

### **Key contacts**

UKTI has a vast network of professional contacts and advisors. So, whatever you need – whether it's a lawyer, an accountant, a property consultant or any number of specialist consultants – we can put you in contact with the right people. We organise global industry events, where you can network with other companies in your sector and discuss UK opportunities face-to-face with our staff.



### **Finding the right location**

Deciding where to locate your international business is often a long and involved process. It is our job to know the UK's strengths and to understand where investment opportunities exist. UKTI works in partnership with nine English regional development agencies, as well as the devolved administrations in Scotland, Wales and Northern Ireland, giving us coverage across the entire UK. These organisations have detailed knowledge of their local area and UKTI can help you to assess each location's suitability for your business.

### **Setting up in the UK**

Once you have decided on a location, UKTI can help with the practicalities of getting your business up and running. We can offer advice on forming a company, employing staff, regulation, tax, exporting from the UK, as well as other business advice, and we can put you in contact with the professionals you will need to take this forward.

And it does not stop there. We will continue to support you and respond to your questions and issues long after you have made your investment in the UK.

### **Growing your business**

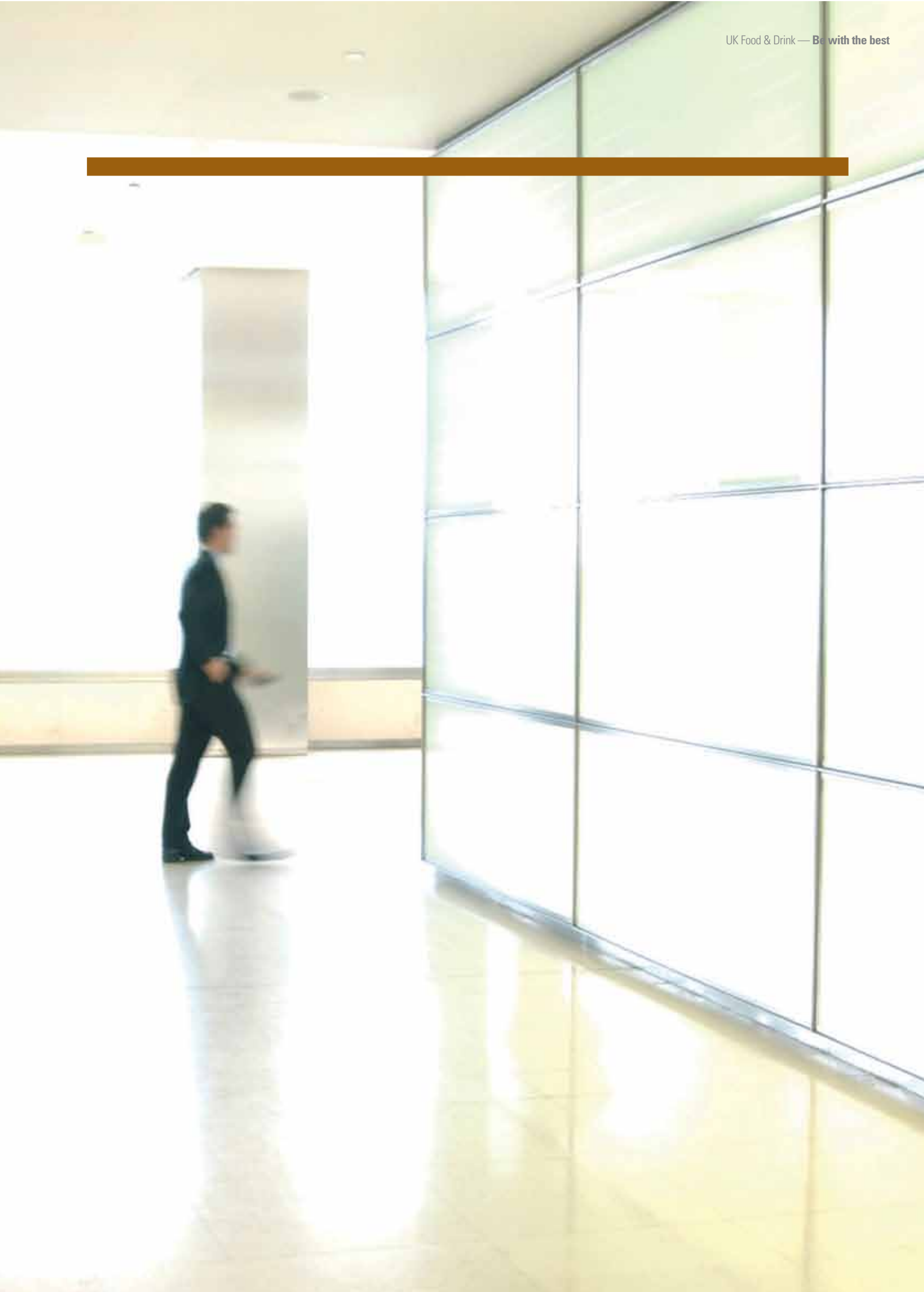
The UK is sizzling with global business opportunities. Once you are here, we can help you to capitalise on new opportunities both here and around the world. These include exploring new UK business opportunities, choosing further UK locations for expansion, growing your industry networks, and putting forward your views on policies to the UK government.

### **Global partnerships**

If you're looking for a UK technology partner, our Global Partnerships service can help you identify and access suitable innovative R&D organisations quickly and effectively. Whether you want someone to help you develop, customise, manufacture, market or license your product/technology, this programme is designed to facilitate expert partner-matching and to minimise the risks of potential partnering.

### **Let's talk**

With all of the support available to overseas investors, it is easy to see why the UK remains one of the most popular inward investment locations in Europe and why success rates here are high. You can invest here with confidence and we can make the process of investing here simple and straightforward. So, let's talk...





- Over 65 per cent of the Fortune 500 companies are represented in the UK
- The UK is ranked as the best performer in the G8 leading economies per unit of R&D spend
- The UK will be home to the world's highest concentration of US\$1 million households by 2016, one in four
- Globally, the UK is in the top 10 for protecting investors when starting and closing a business

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