

A Guide to Entering the UK Retail Market – An Understanding of Price, Margin and Value Chain Mechanics



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1 Introduction to the UK Retail Market

The UK retail market is dominated by 5 large retailers who account for in the region of 75% of the total food and drink market. As a result of this, the market is fiercely competitive as each retailer develops its own unique point of difference in an attempt to attract new customers and entice existing customers to spend more. Another result of this is that the UK retail market is fast moving and often at the forefront of new initiatives. This can often appear daunting and overwhelming for UK suppliers, let alone foreign ones. This market entry guide will provide you with an overview of the potential for foreign food & drink suppliers, whilst helping you to find the easiest ways to research the market, identify the opportunities, understand pricing and margins, help you find the right route to market for your products, explain the differences between your own and UK governance of the market, as well as sharing a few tips and making you aware of the pitfalls, to help you along the way.

1.1 The UK retail market- Size & Values

Kantar World panel reports UK retail food and drinks sales to 11th July 2010 as following:

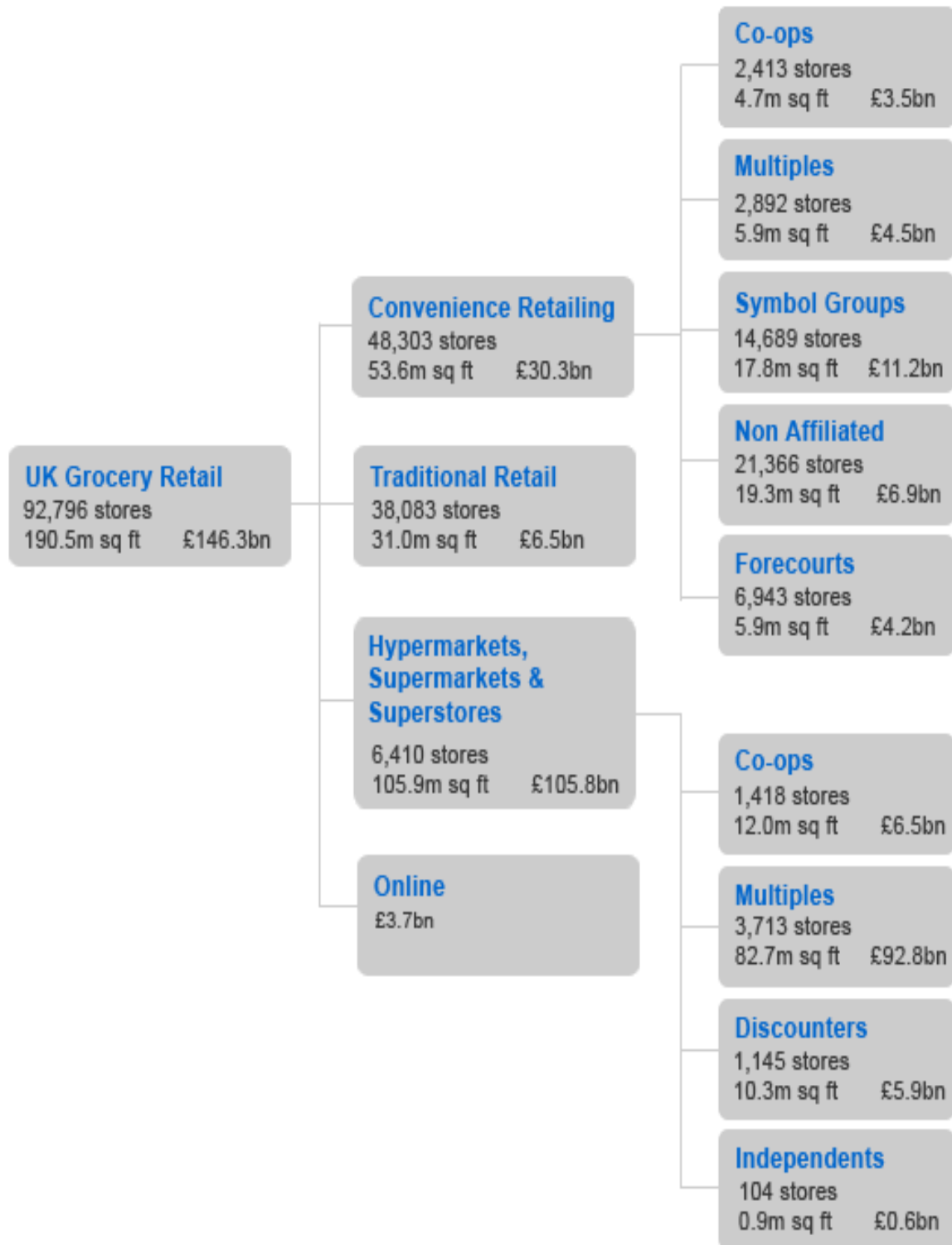
Total UK Retail Sales £	£91.1bn	+3.6%
Fresh & Chilled	£36.1bn	+2.6%
Ambient	£25.2bn	+4%
Alcohol	£10.2bn	+7.7%
Household	£10.2bn	+7.7%
Toiletries	£5.6bn	+3.7%
Frozen	£5.1bn	+0.6%
Healthcare	£1.6bn	+0.2%

The Institute of Grocery Distribution (IGD) has identified and categorised 92,796 grocery stores in the UK, split into four sectors. They are defined as follows:

- 1. Convenience stores:**
Stores with sales area of less than 3,000 sq ft, open for long hours and selling products from at least 8 different grocery categories, (e.g. SPAR, Co-operative Group, Londis).
- 2. Traditional retail:**
Sales area of less than 3,000 sq ft such as newsagents, grocers, off-licences, & some forecourts.
- 3. Hypermarket, supermarkets & superstores:**
Supermarkets have a sales area of 3,000-25,000 sq ft
Superstores have sales area above 25,000 sq ft
Hypermarkets are over 60,000 sq ft.
All sell a broad range of mainly grocery items, Non-food products are increasingly also sold (e.g. Tesco, Asda, Sainsbury's, Morrison's).
- 4. Online channel:**
Sales via the internet

The chart below shows how many stores are within each sector and how much each sector is worth.

UK Grocery Retailing - Store Numbers & Sector Value



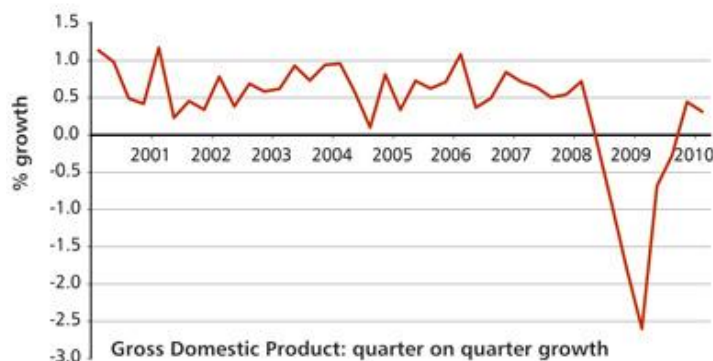
UK store numbers chart, Source: IGD Research, 2009

See Appendix 1 for a map of the UK and the top 10 most populated regions.

1.2 Economic Outlook and future indicators to monitor

The UK's economic performance over the last ten years

Source: ONS. UK output, income and expenditure statistical bulletin, 1st quarter 2010. GDP is the chained volume measure.

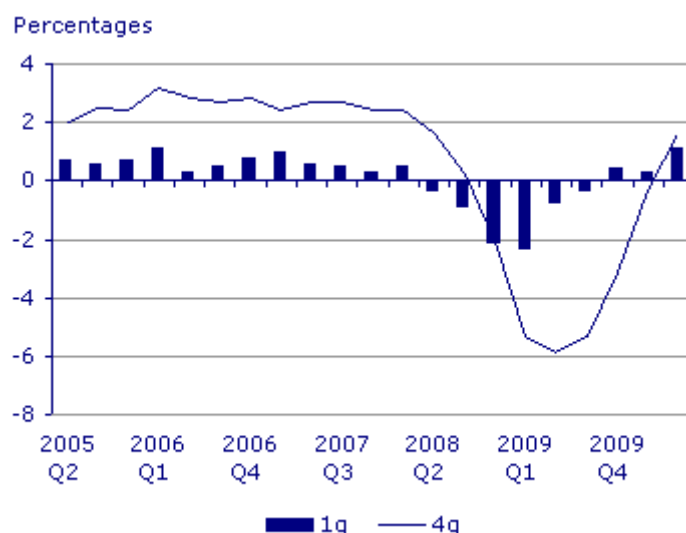


Consumer confidence is at historically low levels, largely due to the global financial crisis, and new Conservative / Liberal Government's June 2010 Budget. The Government aims to considerably reduce spending over the next 3 years whilst increasing its income through a number of initiatives. Most notably VAT will rise from 17.5% to 20% from January 2011. During the crisis itself, many banks were part-nationalised, and they remain under close media scrutiny to this day. Elsewhere in the economy unemployment is rising steadily, particularly amongst the under 25's, oil prices after falling sharply, have risen again and are now averaging around \$80 per barrel.

The value of sterling has declined 25% since the start of the financial crisis. This is disastrous news for consumers and is causing a wide range of imported items to remain expensive. However, the reduction in sterling may boost exports by British businesses and is encouraging foreign tourists to visit the UK and to spend in British shops.

GDP Growth

UK output increases by 1.1%.

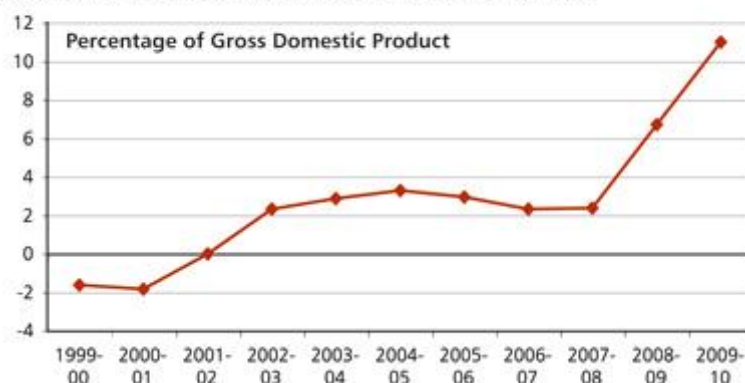


Gross Domestic Product (GDP) increased 1.1 per cent in the second quarter of 2010, compared with an increase of 0.3 per cent in the first quarter. The growth in the second quarter is due to growth across the whole economy which includes services, construction and production.

The graph below shows the level of public sector net borrowing as a percentage of GDP in each financial year of the last Parliament. The source for this graph is data from the Office for National Statistics.

Public sector net borrowing over the last ten years

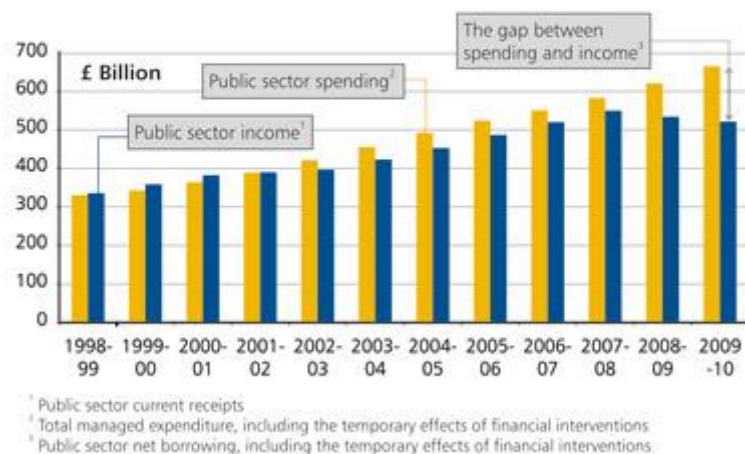
Source: ONS. Public Sector Finances statistical bulletin, 18 June 2010 release.
Borrowing excludes the temporary effects of financial interventions.



The graph below shows the difference between the Government's income and the Government's spending over the last ten financial years. The source for this graph is data from the Office for National Statistics.

The difference between the UK's spending and income over the last 10 years

Source: ONS. Public Sector Finance statistical bulletin, 18 June 2010 release.



Over the next 5 years the UK's finances are expected to grow above 70 per cent of GDP, a dangerous level far beyond the previous Labour government's target of less than 40 per cent. This would bring risks of both a sovereign debt downgrade (which would cause government borrowing rates for the UK Treasury to go up and the confidence of global financial markets to drop), and will crowd out private businesses already facing grave troubles trying to raise capital for investment.

As a result, the UK consumer faces the significant risk of being squeezed by less government spending on services and benefits and increased government demand for more taxes, to bring the UK's finances back into balance.

The main factors effecting consumer spending are:

- Interest rates - The Bank of England (which is independent from governmental control) targets to maintain inflation below 2%, and uses interest rates as a lever to achieve this. Interest rates currently stand at an all-time low of 0.5%. The Bank of England inflation rate is expected to stay low at under 1 per cent until the end of 2010. 60% of UK consumers typically own their own home and fund its purchase through a mortgage. The Bank of England interest rate affects the value of their repayments and therefore the amount of money they have to spend in the wider economy.
 - Inflation – Consumer Prices Index (CPI) is the measure adopted by the Government for its UK inflation target. Retail Prices Index is used to calculate of pension, state benefits and index-linked gilts. Inflation is the percentage change in the index compared with the same month one year previously. CPI annual inflation – the Government’s target measure – was 3.2% in June 2010, down from 3.4% in May 2010. This was driven by falling petrol and diesel prices May and June 2010. Rises in take-home pay increased by 0.2% in July to reach 0.8%, but that is well short of inflation rates. As a result, the gap between take-home pay and inflation is eroding real disposable income as the cost of essential spending increases at a greater pace than growth in pay.
 - Food inflation jumped sharply in July and is likely to rise in the coming months as pressures abroad push up the cost of fresh food. Annual food inflation jumped to 2.5% from 1.7% in June 2010, according to the British Retail Consortium (BRC)/Neilson shop price index, with the price of meat and fruit among the biggest risers. With wheat prices rising rapidly on the back of lower-than-anticipated corn planting in the US, reduced production forecasts in Russia and Canada and lower yields in Europe, big buyers of flour could face difficult times. This could prove inflationary for the bread, cake and biscuit sub-sectors and depending upon any switch in classification (i.e. from milling to feed wheat) could also impact feed prices - and in turn eggs, pigs and poultry. While there is no immediate risk of a repeat of the unprecedented hikes in commodity prices witnessed in 2007-8, population increases and rising dairy and meat consumption in China and India mean prices are unlikely to return to the lows seen prior to 2007.
- Kantar World-panel suggests that Grocery-price inflation is on track to jump from 2 per cent to 4 per cent by the end of 2010, as events such as fires and droughts in Russia and Ukraine lead to soaring prices of wheat, barley, palm oil, cocoa, animal feeds and meat.
- Unemployment - The unemployment rate for the three months to May 2010 was 7.8% or 2.47 million. The number of people unemployed for up to six months is currently 1.16 million. Finally, the number of people unemployed for more than twelve months increased to 787,000, the highest figure since March 1997. Forecasters are further projecting a rise in unemployment to 3m people, or 10% of the labour force in 2011. Any job uncertainly directly affects the UK consumer’s willingness to spend on anything bar essentials such as food and drink.
 - Rises in salary - The annual growth rate for regular pay (excluding bonuses) was 1.8% for the three months to May 2010, adding further pressure to UK consumers spending abilities.

As a result of these factors there is clearly a chance for a more protracted, depression-style downturn, which increasing numbers of forecasters are now citing as a growing risk.

1.3 Market Indicators

Watch out for these potential UK market indicators that may point to an improving economy:

- Return to premium – Increasing evidence of an end to austerity may be found in the slower growth of own label value products, an increase in the growth of own label premium food products and the rate of growth of premium retailers, such as Waitrose in particular, as well as an increasingly more positive set of results from Marks & Spencer.
- Frozen Foods – Historically this category has performed sluggishly at best over the last 10 years. However, in 2007 / 2008, UK consumers turned to Frozen Food as a way to help them control their budgets. Growth in the frozen sector ranged between 5-7% at its recent peaks, however, UK retail sales for June 2010 show that growth has slowed to only 0.6% compared to total market growth of 3.6%.

- UK Stock Market – The FTSE 100 achieved an all time high of around 6900 points between 2003 and 2005. In 2008 as a result of the financial crisis, it plunged to 3800 points. In July 2010 it is fluctuating around the 5000 to 5300 point mark. Monitoring the general level of the market against these benchmarks provides a general indication of the financial health of the UK economy.
- New Product Development - Nearly half of shoppers (46%) - is actively looking out for new products, according to findings from IGD, the grocery industry research body. Manufacturers have responded by increasing the number of new products that they are developing. IGD said that “post-recession shoppers” had started to spend money on eye-catching new items. Consumer goods companies are responding by releasing 11,100 new products so far this year, about 9% above the monthly rate seen in 2007 before the financial crisis. Uniq, an own label sandwich and dessert maker for retailers, attributed encouraging first-half trading to 87 new dessert product launches, which compared with only 28 in the previous year.

1.4 Consumer Trends

- **“The Lipstick Effect”** - The trend of small personal self-treats instead of extravagant purchases such as cars and holidays in times of recession. This tendency is all about the consumers' need to express their identity despite their pressured lives. For instance, consumers will seek the lowest price for products that serve basic needs such as food, and whilst also treating themselves to small luxuries. This has led to a growth in websites on how to be frugal but also keep up appearances.
- Own Label Converts - Newly-converted private label fans (middle classes flocking to Aldi & Lidl in the UK, for instance), indicate a trend that celebrates frugality but recognises that consumption goes on, and is still a pleasure.
- **“Age of uncertainty”** - Signals a time of fear, anxiety and uncertainty for consumers who, in order to ward off financial uncertainty, retreat to the safety and comfort of their home. They voluntarily reduce their spending, re-evaluate their relationships with their favourite brands and reinvent themselves through thrift and bargain hunting.
- **Value redefined as quality** - Value rather than cheapness is increasingly important as consumers choose between brands when making purchasing decisions. A product that offers more value in the form of increased animal welfare standards for example may find that consumers will reward that brand with increasing levels of loyalty.
- **Lasting quality** - A revival of consumer interest in lasting quality replaces the “little and often” throwaway values of recent years. A spokesperson from UK supermarket ASDA was quoted recently: “We did a survey with our customers at the beginning of the year. They said they are now making product choices around quality and value for money.”
- **Back to Basics** - A growth in scratch cooking and a boom in ingredients sales instead of Ready Meals has led to a growth in sales of ambient food categories, particularly in Home Baking. Supermarket websites increasingly promote meal recipes and encourage consumers to share their own recipes too.
- **Online** - It is easier and cheaper to access the internet than ever before and as a result; consumers spend more money online and increasingly look to engage with their favourite brands online. In addition, online consumers continue to influence what other consumers buy through online reviews and social media websites. Major brands such as Starbucks and Pepsi-Co are already using Twitter to manage their PR. Recently online consumers influenced the re-introduction of Cadbury’s Wispa bar and fought Nestle to re-think their sourcing strategy of Palm oil.
- **Thrift meets green** - Consumers are realising that on so many levels “thrifty” and “green” trends can meet be compatible, as consuming less is both green and economical, for example. This has led to interesting new consumer activity driving the mushrooming of swapping and recycling sites. Freecycle had over 1.5 million members at the beginning of 2010. This trend puts consumers directly in touch with each other, cutting out the middleman completely.

Compiled from an article produced by Euromonitor Ltd.

Challenges and Opportunities

- Unstable economic environment - Price inflation and slowing consumer spending.
- Retailers with a focus on price and value such as Asda, Morrison’s and Iceland are performing ahead of the market.
- Shopper’s interests are split between higher priced products (Freshness, authenticity, origin, perceived healthiness, environmental impact and animal welfare,) and a focus on price.
- Format diversity increasingly important in the race for selling space. A number of new opportunities are being considered, such as Waitrose interest in former Pub sites as a possible network of smaller supermarkets or convenience stores.
- Retailers are increasingly developing their online propositions to meet changing shopping trends.

1.5 Essential Requirements to trade in the UK.

In order to trade successfully with UK retailers it is essential that suppliers are fully aware of the following key criteria:

1.5.1.1 BRC Certification

The British Retail Consortium (BRC) is the lead trade association representing the whole range of UK retailers, from the large multiples and department stores through to independents, selling a wide selection of products through centre of town, out of town, rural and virtual stores.

The BRC Global Standards are a suite of four industry-leading Technical Standards that specify requirements to be met by an organisation to enable the production, packaging, storage and distribution of safe food and consumer products. Originally developed in response to the needs of UK members of the British Retail Consortium, the Standards have gained usage world-wide and are specified by a growing number of retailers and branded manufacturers in the EU, North America and further afield. Certification to a Global Standard, which is achieved through audit by third party Certification Bodies, reassures retailers and branded manufacturers of the capability and competence of the supplier, and reduces the need for retailers and manufacturers to carry out their own audits, thereby reducing the administrative burden on both the supplier and the customer. Most UK retailers require a supplier to be BRC certified before a supplier can be considered to produce a retailers own label products. Most retailers would generally expect a branded product supplier to be BRC certified, but such certification is not mandatory.

Further information is available from <http://www.competition-commission.org.uk/>

1.5.1.2 Labelling

The Food Standards Agency is an independent UK Government department set up by an Act of Parliament in 2000 to protect the public's health and consumer interests in relation to food. They have a comprehensive website detailing UK food labelling and Packaging legislation. Key points are highlighted below:

The Food Labelling Regulations 1996

This requires food to be marked or labelled with certain requirements such as:

- the name of the food
- a list of ingredients (including food allergens)
- the amount of an ingredient which is named or associated with the food
- an appropriate durability indication (e.g. 'best before' or 'use by')
- any special storage conditions or instructions for use
- the name and address of the manufacturer, packer or retailer
- the place of origin (where failure to do so might mislead)

Food compositional legislation

There are more detailed compositional and labelling rules for certain foods, including:

- bread and flour
- cocoa and chocolate
- soluble coffee
- evaporated and dried milk
- fruit juice
- honey
- infant formula
- jams
- meat products: sausages, burgers and pies
- natural mineral waters
- spreadable fats

- sugars

European Marketing Standards

These define what can be properly described as:

- canned sardines and tuna
- olive oil
- alcoholic spirit drinks: whisky, gin, etc
- eggs in shell
- organic food
- fresh fruits and vegetables
- foods of designated geographic indication or origin, such as Parma ham, West Country etc

Further details and guidelines are available at The Food Standards Agency website: <http://www.food.gov.uk/foodlabelling>

There is also guidance available about front of pack nutritional labelling at <http://www.food.gov.uk/foodlabelling/signposting>

1.5.1.3 Packaging

The main Packaging Legislation in the UK is driven by the Packaging Waste Directive 94/92/EC, its implementation is through:

- The Plastic Material & Articles in Contact with Food Legislation 2009
- BRC/IOP Standard for Packaging & Packaging Materials
- Producer Responsibility Obligations ~Packaging (Essential Requirements) Regulations 2003

Packaging volume and weight must be the minimum amount to maintain necessary levels of safety, hygiene and acceptance for the packed product and for the consumer.

Packaging must be manufactured so as to permit reuse or recovery in accordance with specific requirements.

Noxious or hazardous substances in packaging must be minimised mainly in emissions.

Reusable Packaging is defined as:

- Suitable for a number of trips or rotations
- Recoverable when no longer re-used.

Recoverable Packaging is defined as:

Recyclable, Energy Recoverable, Compostable or Biodegradable.

Noxious or Hazardous Substances

- Refers to the concentration of heavy metals in packaging
- Applies to cadmium, mercury, lead & chromium
- Should not exceed 100ppm by weight.

The Plastic Material & Articles in Contact with Food Regulations 2009

Covers:

- Monomers and additives in all plastic materials that come in contact with food
- Rules for migration testing and stimulants used

BRC/IOP Standard

This standard is accepted by all major retail companies and includes 3 categories:

- Direct contact with high risk products
- Indirect contact with high risk products
- Direct or indirect contact with low risk products

Packaging material trends:

- Rigid Plastics
- Overcapacity in Plastic Industry
- Board remains biggest sector
- Metal Cans losing share to plastics

- Replace metal cans & glass bottles

Packaging - UK retailer activities:

Tesco - Plans to reduce packaging weight by 15% for 2010. This policy is based on 5 key principles: ~

- Packaging must be fit for purpose
- Made from light weight materials
- Uses materials from the most sustainable sources
- Maximises opportunities for recycling & recovery
- Designed to have the lowest carbon impact keeping in mind the products life cycle

Sainsbury's – Plans to reduce packaging weight by 33% for 2015 by championing:

- Reduce – levels of product packaging
- Reuse – encouraging consumers to re-use carrier bags
- Recycle – recycle in-store packaging waste

ASDA – Plans to reduce packaging weight by 25% for 2010 by championing:

- FSC accredited materials

Morrison's – To reduce packaging weight by 15% for 2010 by:

- Labelling of all own labelled packaging with recycling symbols

Waitrose -

- Committed to phasing out packaging waste growth
- Labelling of all own labelled packaging with recycling symbols
- Replace PVC with recyclable materials.

Marks & Spencer – Produced a comprehensive strategy named “Plan A” – its highlights include:

- Labelling all packaging with recycling symbols
- Reduce packaging weight by 25% for 2010
- Increased use of sustainable & recycled materials
- FSC accredited materials

1.5.1.4 Shelf Ready Packaging

An increasingly key requirement for suppliers to UK retailers is the need to supply products in Shelf Ready Packaging (SRP). This helps retailers to maintain product availability by facilitating the easy replenishment of product on shelf. In order to maximise shelf fill and accommodate retailer "easy replenishment" requirements, the following matrix has been compiled by ECR to allow manufacturers to identify areas of commonality in given categories.

The depths given below are in mm (front to back, not height between shelves) and are intended to be a guide as to the most common shelf depths in these categories in the stated retailers. There will be some exceptions to this information and the data should be used as a guide only.

In addition, the following specific conditions need to be understood before embarking on designing a case size to fit in with "shelf ready" principles.

1. A minimum of 2 cases should aim to be held on shelf at any one time (consider potentially different solutions to this - e.g. one behind the other, one on top of the other, one beside the other, rate of sale and the number of facings required.)
 2. Any solutions should be agreed with the appropriate buying / merchandising teams prior to implementation.
- For example: Grocery. For the majority of retailers in this analysis, a typical common shelf depth is 560mm – therefore, suppliers should aim to have a maximum case depth of 280mm to allow for 2 cases in depth as a minimum.

	Asda			Morrison's			Sainsbury's			Tesco		
Category	Base Shelf	Middle Shelves	Top Shelf	Base Shelf	Middle Shelves	Top Shelf	Base Shelf	Middle Shelves	Top Shelf	Base Shelf	Middle Shelves	Top Shelf
Confectionary	670	570	570	635	560	480	600	600	600	670	570	570
Biscuits	670	570	570	635	560	480	600	600	600	670	570	570
Soft Drinks	770	770	770	635	635	635	600	600	600	670	570	570
Crisps	770	770	770	635	635	635	600	600	600	670	570	570
Seasonal	770	770	770	635	560	560	600	600	600	670	570	570
Canned & Savoury	770	770	770	635	635	635	600	600	600	670	570	570
Cereals	770	770	770	635	635	635	600	600	600	670	570	570
Beverages	670	570	570	635	560	480	600	600	600	670	570	570
Desserts	670	570	570	635	635	480	600	600	600	670	570	570
Baking	670	570	570	635	560	480	600	600	600	670	570	570
Condiments & Cooking	570	570	570	635	560	480	600	600	600	670	570	570
Rice & Pasta	570	570	570	635	560	480	600	600	600	670	570	570
Foreign Foods	670	570	570	635	560	480	600	600	600	670	570	570
Organic / Speciality	670	570	570	635	560	480	600	600	600	670	570	570
Beers	770	770	770	760	560	560	750	600	600	670	570	570
Wines	770	770	770	635	480	480	750	600	600	670	570	570
Spirits	770	770	770	635	560	480	750	600	600	670	570	570
Produce	600	600	600	800	500	500	500	500	450			
Meat	600	600	600	800	550	500	500	500	450			
Bakery – Cakes	600	600	600	600	500	450	500	500	450	670	570	570
Bakery – Bread	600	600	600	600	500	450	500	500	450	770	670	670
Dairy	600	600	600	800	600	550	500	500	450			
Ready Meals	600	600	600	800	500	450	500	500	450			
Pies	600	600	600	800	550	500	500	500	450			
Cooked Meats	600	600	600	800	600	550	500	500	450			

Frozen Food	Asda Depth of Cabinet	Morrison's Depth of Cabinet	Sainsbury's Depth of Cabinet	Depth of Cabinet
Glass Door Cabinets	400	600	450	
Well Cabinets	600	825	600	

Note: Cabinet widths vary considerably across each retailers store estate. Depth data is included to in order that a supplier can work on the basis of one facing shelf ready pack.

1.5.1.5 VAT

The standard rate of VAT is currently 17.5% but will be increased to 20 per cent on 4 January 2011.

For any sales of standard-rated goods or services that you make on or after 4 January 2011 you must charge VAT at the 20% rate. This change only applies to the standard VAT rate. There are no changes to sales that are zero-rated for VAT.

Most food of a kind used for human consumption (see paragraph 2.3) is zero-rated. There are, however, some exceptions as follows:

You must always use standard-rate (SR) VAT (17.5% currently, 20% from 4th January 2011)	But you can zero-rate (ZR) VAT
Ice cream, similar products, and mixes for making them	Frozen yoghurt that is designed to be thawed before being eaten;
Confectionery, apart from cakes and some biscuits	Drained cherries and candied peel; and
Alcoholic beverages	Milk and milk drinks, tea, maté, herbal tea, coffee & cocoa; and preparations of yeast, meat and egg.
Other beverages, and preparations for making them	
Potato crisps, roasted or salted nuts and some other savoury snack products	
Products for home brewing and wine making	

Basic foodstuffs.

You can zero-rate all supplies of unprocessed foodstuffs such as:

- raw meat and fish;
- vegetables and fruit;
- cereals, nuts and pulses; and
- culinary herbs,

whether you supply them direct to the public or for use as ingredients in the manufacture of processed foods **provided they are fit for human consumption.**

A product is 'food of a kind used for human consumption' if:

- the average person, knowing what it is and how it is used, would consider it to be food or drink; **and**
- it is fit for human consumption.

The term includes:

- products eaten as part of a meal, or as a snack; and
- products like flour, which, although not eaten by themselves, are generally recognised food ingredients.

The term would not usually include:

- medicines and medicated preparations;
- dietary supplements, food additives and similar products, which, although edible, are not generally regarded as food.

A full online guide to UK VAT rates broken down by product category can be found at www.customs.hmrc.gov.uk A pdf copy of the guide can also be downloaded from the same site.

1.5.1.6 The Groceries Supply Code of Practise (GSCOP)

The UK Governments 'Code of Practice' for UK retailers has been more rigidly followed over the last three years. The UK retail market has in the last decade been under investigation by the Office of Fair Trading (OFT) to determine both the buying power of supermarkets and pricing issues such as below-cost selling and local convenience store pricing.

Supermarkets have implemented new procedures and training as a result of recent OFT investigations to ensure that their buyers understand the GSCOP and adhere to them correctly. Many retailers have set up internal training courses to enhance buyers' knowledge and re-train their staff. The Code of Practice states that there is to be no sharing or influencing of retail prices between suppliers and buyers. Therefore, suppliers should ensure that they do not discuss potential retail prices for their products with any buyers. (Monitoring retail prices within UK retailers has become more structured and far more transparent with the development of online shopping sites and in particular, online comparison sites such as www.mysupermarket.co.uk, have made it extremely easy to monitor and check competitor pricing.

The new Groceries Supply Code of Practice (GSCOP) came into force on 4th February 2010 and applies to all UK retailers with a turnover of more than £1 billion, currently ten companies, Tesco, Asda, Sainsbury's, Morrison's, Waitrose, Marks&Spencer, Aldi, Lidl, Iceland and the Co-operative group. The newly updated Code will give suppliers access to independent arbitration and protect them from practices such as being asked to cover the cost of theft. It also requires retailers to train staff to use the Code and appoint officers with responsibility to ensure compliance with the code.

The Groceries Code Adjudicator (GCA) will monitor the 10 UK grocers with turnover above £10bn- - and will take action against any which, for example, exert unwarranted financial pressure on suppliers, make retrospective changes to contracts, or impose prohibitive payments on suppliers to have their products sold in stores.

The main provisions of the code of practise are:

1. A Retailer must not enter into or perform any Supply Agreement unless that Supply Agreement incorporates the Code and does not contain any provisions that are inconsistent with the Code.

2. A Retailer must not enter into a Supply Agreement with a Supplier unless it has first provided the Supplier with a notice, distinct from the Supply Agreement, which sets out: (a) the obligation on the Retailer not directly or indirectly to Require actions by the Supplier in relation to marketing costs, wastage, payments, promotions, changes to supply chain procedures, and tying, as more specifically set out in the Code; (b) the identity and contact details of the Senior Buyer for that Supplier; (c) the Retailer's obligation under the Code to allow a Supplier to escalate a decision of a Primary Buyer (including a decision to De-list) to the Senior Buyer for review; (d) the identity and contact details of the Retailer's Code Compliance Officer;
3. Any person who becomes part of a Retailer's Buying Team must be provided with: (a) a copy of the Code within one week of becoming part of the Retailer's Buying Team; and (b) training on the requirements of the Code within one calendar month of becoming part of the Retailer's Buying Team. (c) From 2011, a Retailer must provide retraining on the requirements of the Code to all employees in its Buying Team at least once each calendar year.
4. A Retailer must appoint a suitably qualified employee as the Code Compliance Officer, who should not report into any member of the Buying team.
5. A Retailer must at all times deal with its Suppliers fairly and lawfully.
6. A Retailer must not vary any Supply Agreement retrospectively, and must not request or require that a Supplier consent to retrospective variations of any Supply Agreement.
7. A Retailer must not directly or indirectly require a Supplier to change significantly any aspect of its supply chain procedures during the period of a Supply Agreement unless that Retailer either a) gives Reasonable Notice of such change to that Supplier in writing; or (b) compensates the Supplier for costs incurred as result of the failure to give Reasonable Notice.
8. A Retailer must pay a Supplier for Groceries delivered to that Retailer's specification in accordance with the relevant Supply Agreement, within a reasonable time after the date of the Supplier's invoice.
9. Unless provided for in the relevant Supply Agreement between the Retailer and the Supplier, a Retailer must not, directly or indirectly, Require a Supplier to make any Payment towards that Retailer's costs of: (a) buyer visits to new or prospective Suppliers; (b) artwork or packaging design; (c) consumer or market research; (d) the opening or refurbishing of a store; or (e) hospitality for that Retailer's staff.
10. A Supply Agreement must not include provisions under which a Supplier makes Payments to a Retailer as compensation for Shrinkage.
11. A Retailer must not directly or indirectly Require a Supplier to make any Payment to cover any Wastage of that Supplier's Groceries incurred at that Retailer's stores unless: (a) such Wastage is due to the negligence or default of that Supplier, (b) the relevant Supply Agreement sets out expressly and unambiguously what will constitute negligence or default on the part of the Supplier; or (c) the basis of such Payment is set out in the Supply Agreement.
12. A Retailer must not directly or indirectly Require a Supplier to make any Payment as a condition of stocking or listing that Supplier's Grocery products unless such Payment: (a) is made in relation to a Promotion; or (b) is made in respect of Grocery products which have not been stocked, displayed or listed by that Retailer during the preceding 365 days in 25 per cent or more of its stores, and reflects a reasonable estimate by that Retailer of the risk run by that Retailer in stocking, displaying or listing such new Grocery products.
13. A Retailer must fully compensate a Supplier for any cost incurred by that Supplier as a result of any forecasting error in relation to Grocery products and attributable to that Retailer unless: (a) that Retailer has prepared those forecasts in good faith and with due care, and following consultation with the Supplier; or (b) the Supply Agreement includes an express and unambiguous provision that full compensation is not appropriate.
14. A Retailer must not directly or indirectly require a Supplier to obtain any goods, services or property from any third party where that Retailer obtains any Payment for this arrangement from any third party, unless the Supplier's alternative source for those goods, services or property: (a) fails to meet the reasonable objective quality standards laid down for that Supplier by that Retailer for the supply of such goods, services or property; or (b) charges more

than any other third party recommended by that Retailer for the supply of such goods, services or property of an equivalent quality and quantity.

15. A Retailer must not directly or indirectly require a Supplier to make any Payment in order to secure better positioning or an increase in the allocation of shelf space for any Grocery products of that Supplier within a store unless such Payment is made in relation to a Promotion.
16. A Retailer must not, directly or indirectly, require a Supplier predominantly to fund the costs of a Promotion.
17. Where a Retailer directly or indirectly requires any Payment from a Supplier in support of a Promotion of one of that Supplier's Grocery products, a Retailer must only hold that Promotion after Reasonable Notice has been given to that Supplier in writing. For the avoidance of doubt, a Retailer must not require or request a Supplier to participate in a Promotion where this would entail a retrospective variation to the Supply Agreement.
18. A Retailer must take all due care to ensure that when ordering Groceries from a Supplier at a promotional wholesale price, not to over-order, and if that Retailer fails to take such steps it must compensate that Supplier for any Groceries over-ordered and which it subsequently sells at a higher non-promotional retail price.
19. A Retailer must ensure that the basis on which the quantity of any order for a Promotion is calculated is transparent.
20. Where any consumer complaint can be resolved in store by a Retailer refunding the retail price or replacing the relevant Grocery product, that Retailer must not directly or indirectly Require a Supplier to make any Payment for resolving such a complaint unless: (a) the Payment does not exceed the retail price of the Grocery product charged by that Retailer; and (b) that Retailer is satisfied on reasonable grounds that the consumer complaint is justifiable and attributable to negligence or default or breach of a Supply Agreement on the part of that Supplier.
21. Where any consumer complaint cannot be resolved in store by a Retailer refunding the retail price or replacing the relevant Grocery product, that Retailer must not directly or indirectly require a Supplier to make any Payment for resolving such a complaint unless: (a) the Payment is reasonably related to that Retailer's costs arising from that complaint; (b) that Retailer has verified that the consumer complaint is justifiable and attributable to negligence or default on the part of that Supplier; (c) a full report about the complaint (including the basis of the attribution) has been made by that Retailer to that Supplier; and (d) The Retailer has provided the Supplier with adequate evidence of the fact that the consumer complaint is justifiable and attributable to negligence or default or breach of a Supply Agreement on the part of the Supplier.
22. A Retailer may agree with a Supplier an average figure for Payments for resolving customer complaints as an alternative to accounting for complaints in accordance with the above. This average figure must not exceed the expected costs to the Retailer of resolving such complaints.
23. A Retailer may only De-list a Supplier for genuine commercial reasons. For the avoidance of doubt, the exercise by the Supplier of its rights under any Supply Agreement (including this Code) or the failure by a Retailer to fulfil its obligations under the Code or this Order will not be a genuine commercial reason to De-list a Supplier.
24. Prior to De-listing a Supplier, a Retailer must: (a) Provide reasonable Notice to the Supplier of the Retailer's decision to De-list, including written reasons for the Retailer's decision. 'Reasonable Notice' will include providing the Supplier with sufficient time to have the decision to De-list reviewed. (b) Inform the Supplier of its right to have the decision reviewed by a Senior Buyer, as described in paragraph 17 of this Code; and (c) Allow the Supplier to attend an interview with the Retailer's Code Compliance Officer to discuss the decision to De-list the Supplier.

Website links to the Grocery Supermarket Code of Practice can be found later in this guide.

1.5.1.7 Working with UK Retailers

To maximise the opportunity to supply a UK Retailer, a supplier must:

- Have a general knowledge of the UK market, its consumers and trends – the key areas are included within this guide.
- Have knowledge of the product category and the differences in each retailer's ranges and prices – can be gathered online at www.mysupermarket.co.uk or via a market study visit which we will cover later.

- Demonstrate a clear Unique Selling Point (USP) – Consider how your company heritage or brand, your packaging or innovation, your recipe or specification, or your brand design, offers a unique selling opportunity.
- Understand the Retailers Corporate objectives & values – Review target retailers websites to familiarise yourself with their corporate values. (Website links are included below.) Consider how these might apply to your products and bring any to the attention of the retailer.
- Retail experience, knowledge & expertise in a similar market – demonstrates logistical capability in forecasting and managing the delivery of products to foreign markets.
- Offer financial security & availability of supply – that can work with between 30 -60 days payment terms whilst maintaining availability and service.
- Technical expertise and experience – BRC is particularly important for the supply of own label products.

Corporate values website links: www.morrisons.co.uk/corporate www.about-asda.co.uk www.tescocorporate.com www.j-sainsburys.co.uk

In addition to the products that they supply, UK retailers look for their suppliers to provide them with the following support:

- Sufficient promotional support to create consumer awareness and demand – typically 4 x 3 week promotions per year.
- Category data – trends, consumer data and knowledge of competitor activities.
- Ongoing cost control and efficiencies – to support continued brand investment.
- Business Continuity plans are in place.

1.5.1.8 The cost of doing business with UK retailers

Own Label

- Artwork origination costs may be charged to the supplier – check to ensure if this is the case
- Customer complaints and returns are generally charged to manufacturers – check complaint levels and ask for the cost of administering each complaint.
- Any costs associated with BRC certification.
- Retailers generally will guarantee only 12 week's worth of own label packaging – anything above this level is at the suppliers risk.
- Comply with Ethical Trade Initiative (ETI) www.ethicaltrade.org
- Samples, Laboratory analysis & cooking instructions.
- Training and access to retailer's Technical website.
- Factory audit costs – determine whether supplier is responsible for the time and travel expenses for a retailer's audit of its site.
- Routine technical surveillance – understand whether there are any charges for the cost of samples used by the retailer to monitor product quality.

Branded

- Customer complaints and returns are generally charged to manufacturers – check complaint levels and ask for the cost of administering each complaint.
- Comply with Ethical Trade Initiative (ETI) www.ethicaltrade.org

Suppliers should be aware that:

- Most supplier payments are made by BACS.
- Credit Notes are not generally used.
- EDI is required to receive & send invoices electronically.
- Payment Terms will typically be from 30 to 60 days with the majority around 45 days.

Consumer Research / Market Study Visit

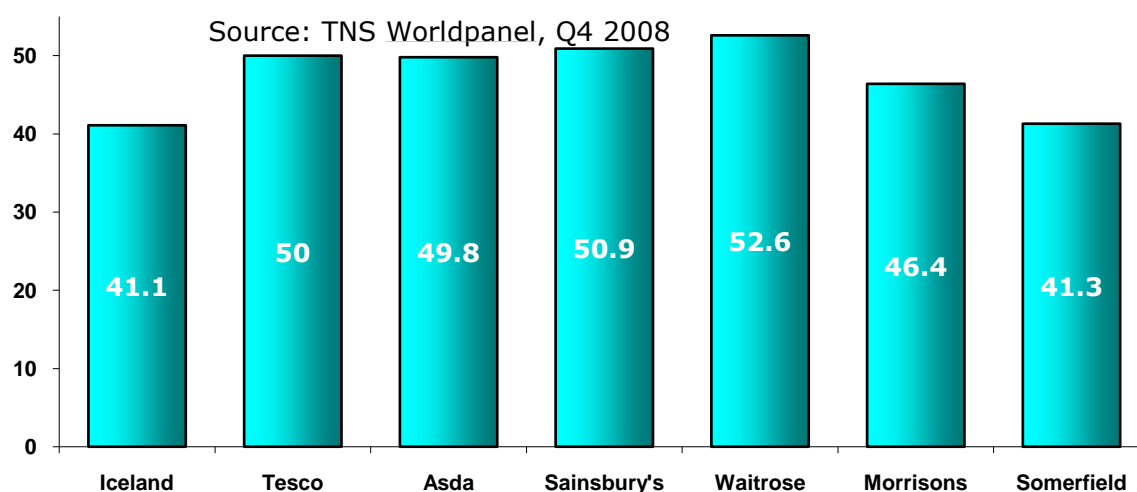
It is essential that any new supplier to the UK retail market takes some time to research and visit the market to fully understand its challenges and complexities. A detailed explanation of this activity is included in a later section of this guide and there is some UK demographic information included in the Appendices of this guide which you might also find useful.

1.6 The role of Own Label

Own label products account for a significant share of UK retailer sales as high as 50% in some cases and significantly more in the case of Marks & Spencer. Own Label allows UK retailers to differentiate their products from their competitor's ranges, and offer products are finely tuned to meet their specific consumer's requirements often providing unique and innovative ranges. Some UK retailers such as Marks & Spencer, Sainsbury's and Waitrose often lead where supplier brands ultimately follow. Own label products also provide UK retailers the flexibility to compete with supplier brands product prices and to develop product tiers of differing product quality which range from a "value" to a "premium" range and can include Organic, Kids, Fairtrade, Healthy and designer product tiers too.

Own label products offers food and drink manufacturers the opportunity to develop close, long-term working partnerships with UK retailers and help suppliers gain a closer insight and understanding of the buying behaviours and priorities of UK consumers, which could ultimately benefit their business in the future development of the suppliers own brands.

Private Label Share % Turnover



1.7 UK Retail Market Category Values

Kantar Worldpanel values the UK retail food and drink market at £91.1bn in June 2010 and calculates its growth at 3.6% over the last 52 weeks to 13th June 2010. The split of sales by category is indicated in the table below.

	Value £	%	Comments
Total Retail Market	£91.1bn	+3.6%	Versus 52 weeks.
Fresh & Chilled	£36.1bn	+2.6%	Largest category but growing more slowly than the total market. Marks & Spencer and Waitrose significantly over trade in Fresh and Chilled
Ambient	£25.2bn	+4%	Sainsbury's is the only one of the top 4 retailers to undertrade in Ambient grocery.
Alcohol	£10.2bn	+7.7%	Independents and Symbol groups and Netto over trade in Alcohol.
Household	£7.4bn	+5.1%	
Toiletries	£5.6bn	+3.7%	
Frozen	£5.1bn	+0.6%	Aldi & Iceland over-trade in Frozen, whilst Tesco and Sainsbury's under trades here.
Healthcare	£1.6bn	+0.2%	

Source Kantar Worldpanel.

The key product categories for most foreign suppliers to the UK are Ambient, Fresh & Chilled and Frozen foods.

Ambient Grocery:

Sub-Category	Market Sector % June 2009	Market Sector % June 2010
Ambient Bakery Products	19.6	19.1
Take Home Soft Drinks	12.1	12.1
Take Home Confectionery	11.2	11.4
Biscuits	9.1	9.1
Canned Goods	8.6	8.6
Packet Breakfast	7.6	7.6
Savoury Home Cooking	7.4	7.4
Take Home Savouries	6.9	6.9
Hot Beverages	6.2	6.4
Sweet Home Cooking	4.6	4.6
Savoury Carbohydrates+Snacks	3.5	3.5
Pickle+Tbl Sae+Condiment	3.1	3.1
Ambient Slimming Products	0.1	0.2

- Waitrose increased its total share of Ambient Grocery but key under-trades remain in canned goods, take home soft drinks, savouries and confectionary.
- Morrison's has extended its overtrade in Canned Goods and now also over trades in Pickles, Sauces & Condiments, Biscuits, Hot Beverages, Packet Breakfast, Savoury Home Cooking and Savoury Carbohydrates
- Sainsbury's under trades in Ambient Grocery, has slightly increased its share with gains being made in 5 of the sub categories, the largest in Take Home Confectionary.
- Tesco's share of Ambient Grocery has remained relatively stable, and has only gained share in Packet Breakfast.
- Asda's increased share of Ambient Groceries is attributed to Biscuits, Take Home Confectionary, Soft Drinks and Canned Goods.
- Marks and Spencer have managed to maintain its share of Ambient Grocery despite loss of share in Biscuits, Sweet Home Cooking, Take Home Confectionary and Savouries.
- The Cooperative is losing market share of Ambient Grocery.

Fresh and Chilled:

Sub-Category	Market Sector % June 2009	Market Sector % June 2010
Dairy Products	27.3	26.9
Fruit+Veg+Salads	25.9	25.7
Chilled Convenience	19.8	20.1
Fresh Meat	14.6	14.5
Fresh Poultry+Game	6.2	6.4
Fresh Fish	3.1	3.1
Chilled Drinks	2	2
Chilled Bakery Products	1.2	1.3

- Tesco over trades in Fresh & Chilled but loses shares in Fruit+Veg+Salad Products while they overtrade and gain share in Dairy Products & Chilled Drinks.
- Sainsbury's has increased share of Fresh Poultry & Game, Chilled Drinks, Fresh Meat, and Dairy but loses share in Chilled Bakery and Fruit & Veg.
- Asda overtrades in Fresh Poultry & Game & Chilled Drinks but loses share. Fresh Fish & Meat are losing share
- Morrison's has gained in all market sectors except for Chilled Drinks.
- Waitrose share of Fresh & Chilled is growing, driven by all sectors except Chilled Bakery. The store shows large overtrades in Chilled Bakery, Chilled Drinks and Fresh Fish.
- Marks and Spencer have maintained share in Fresh & Chilled. Gains have been made in Chilled Bakery Products and Chilled Drinks.
- The Co-operative share loss is being driven by all sectors. They under trade in Chilled Convenience, Fresh Fish, Fresh Meat and Fruit+Veg+Salads.

Frozen Food:

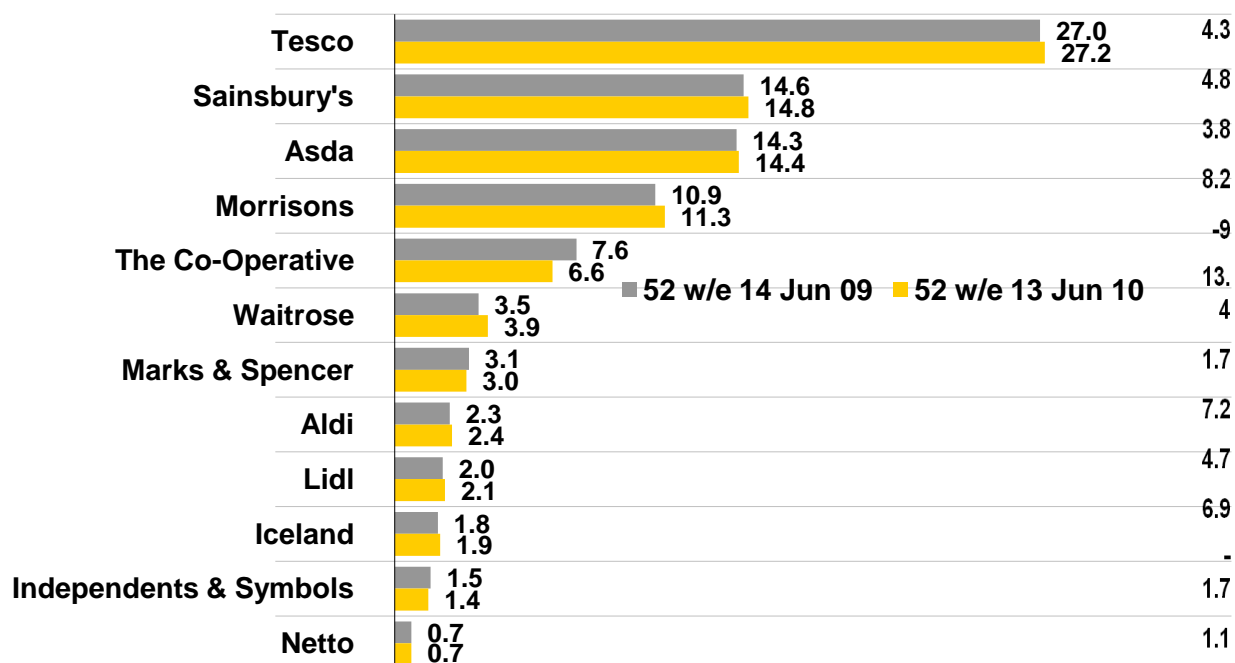
Total frozen	Market Sector % June 2009	Market Sector % June 2010
Frozen Prepared Foods	56.5	56.3
Frozen Confectionery	17.9	18.5
Frozen Fish	14.1	14.2
Frozen Meat	6	5.6
Frozen Poultry+Game	5.4	5.4

- The top 4 UK retailers underperform vs. their total grocery performance.
- Tesco is the only top 4 retailer to lose share in Frozen overall, however it is gaining share in Frozen Confectionery (while losing share in Fish, Meat and Prepared Foods.)
- Sainsbury's share growth is driven by Fish & Prepared Foods – yet Sainsbury's are under-trading and losing share in Meat, and Poultry & Game, and losing share in Confectionery.
- Asda is the only top 4 retailer to over-trade in Frozen. Asda is particularly strong in Prepared Foods where the retailer overtrades and has increased share. It has also increased share in Meat and Fish
- Morrison's share growth has been driven by Confectionery, Meat and Fish while Poultry and Game shares have fallen slightly.
- Waitrose's strong frozen performance has been driven by Confectionery, Prepared Foods and Fish. Share has been lost in Meat and Poultry & Game.
- Marks and Spencer frozen growth is stronger than its total market growth. Marks & Spencer share remains relatively static at total Frozen level, but has increased in Frozen Confectionery.
- The Co-operative sees its share decline in all Frozen sub categories, but still overtrades in Frozen Confectionery and Prepared Foods.
- Iceland's share of Frozen is bigger than Sainsbury's and Morrison's and its growth is driven by its gains in Meat and Prepared Food where it overtrades. Iceland also overtrades in Poultry & Game but is losing share.

1.8 UK Retail Market Share – An overview by retailer.

Retailer Expenditure Share and YOY – 52 w/e 16th May 2010 vs. 17th May 2009

YOY%



London is particularly strong within Sainsbury's, M&S and Waitrose. Asda's strength is in Lancashire, Morrison's in Yorkshire and Co-op in the Midlands. The North East and Yorkshire and Scotland are key areas for Morrisons whilst Sainsbury's & Waitrose over-trade strongly in London and the South. East England, Yorkshire and the North East have had the strongest growth, Waitrose has seen impressive growth as it expands into all regions. For a detailed breakdown of regional market share per retailer, please see Appendices.

Retailer	UK Grocery Sales (£m)	% Change Grocery Sales 2009-2010	No. of Grocery Stores	UK Sales Area (sq ft 000's)
Tesco	£36,600	4.3%	2,469	32,437
Sainsbury's	£19,424	4.8%	872	17,805
Asda	£19,348	3.8%	350	17,386
Morrison's	£15,316	8.2%	425	11,867
The Co-operative Group	£7,501	-9%	2,983	12,711
Marks & Spencer	£5,208	1.7%	654	4,411
Waitrose	£4,418	13.4%	223	4,175
Musgrave Group	£3,313	4.9%	2,552	4,289
Spar UK	£2,750	5.4%	2,603	3,642
Aldi	£2,163	7.2%	420	3,725



Store Format	Total net sales (£m)	Format	No. of Stores	Sales Area (000s sq ft)	Av. Sales Area (sq ft)
Tesco Extra	£10,556	Hypermarket	133	10,294	77,400
Tesco	£23,021	Supermarket	693	18,860	27,215
Tesco Express / One Stop	£3,023	Convenience / Forecourt	1,662	3,258	1,960
Tesco Homeplus	£255	Non Food	13	553	42,540
Dobbies (Garden Centres)	£104	Non Food	25	1,137	45,480

Tesco's current UK priorities are as follows:

- **Further develop and drive forward its value proposition**, through investment in price and its 'Discount Brands' range of products.
- **Continued expansion of the non-food business.** Tesco Direct is a key area of growth, but growth in the non-food market is expected to remain slow over 2010.
- **Multi-format growth** – Tesco will expand space across all existing formats, rather than concentrating energies on the development of its Extra hypermarket format.
- **Online** – Tesco will continue to open 'dark' stores to support online food and grocery shopping at a rate of one per year.
- **Further development of retailing services.** Tesco now owns 100% of Tesco Personal Finance and plans to offer current accounts and mortgages alongside its existing range of products.

Performance:

Alcohol, Fresh & Chilled and Household are areas where Tesco both overtrades and has increased share significantly. Tesco under trades in Frozen, Toiletries and Healthcare. Tesco is introducing new labelling to highlight 700 healthier products among its own-brand food ranges. Tesco said that the products would display a logo that highlights the product's key nutritional benefit, for example '1 of 5 a day' and 'low salt', from this month.

Trading Strategy:

- To be the right price on all comparable products versus the benchmark.
- To Lead on range – by having a broad range of products that meet its customers' needs.
- To lead on quality – aims not to be beaten by any supermarket.
- Driving Innovation through the development of new products, categories, markets and channels.

Recent News:

“Tesco to launch mobile shopping app”

Tesco is looking to increase its business further by launching its first mobile app. A report by Marketing Week in June 2010 said the supermarket will launch the app on Nokia's Ovi Store in August 2010. It will allow its customers to browse a full Tesco store and update their shopping lists.



Store Format	Total net Sales (£m)	Format	No. of Stores	Sales Area (000s sq ft)	Av. Sales Area (sq ft)
Asda Wal-Mart Supercentre	£2,395	Hypermarket	30	2,916	97,200
Asda	£19,953	Supermarket	320	14,470	45,219
Asda Living	£388	Non Food	24	872	36,339

Asda's current UK priorities are as follows:

- **Driving the Every Day Low Price message** - Asda strives to be the lowest-priced retailer in the UK market, using a low cost operational model, including Shelf Ready Packaging and simplified in store merchandising fixtures to support lower prices.
- **Growing the estate** – Asda has outlined plans to open 100 smaller supermarkets and has an aspiration to open 150 new Living non-food stores over the next five years. (See Recent news.)
- **Developing online** - Developing a multi-channel proposition and integrating its store and online operations is a key priority for Asda
- **Building sustainability** - Asda combines value in-store with sustainability, with packaging reduction leading to price reduction on various own label products. Asda is also rolling out eco-stores.
- **Netto** – The re-branding of Netto stores to Asda and the integration of the Netto chain into Asda's store network will be a key objective in 2010.

Performance:

Asda overtrades in Household, Ambient, Alcohol and Frozen and has seen share increases in all areas except Fresh & Chilled, Frozen and Household.

Trading Strategy:

- We sell for less – to offer the best prices in the UK through an “Everyday Low Price” strategy. The focus on EDLP has intensified recently as Asda scales back its promotional offering.
- We buy for less – Using the ability of its parent Wal-Mart to source products and combining volume to negotiate the lowest prices.
- Improving Quality – Particularly in its own label Fresh Food ranges focusing on natural, healthy and tasty food free from artificial flavours, additives and ingredients.
- Ranging – Adopting a “less is more policy” to reduce brand duplication, freeing up merchandising space for more facing of fewer products to help maintain availability of product to its customers.

Recent News:

Asda bought 193 UK Netto stores for £778m in May 2010, with the objective to grow its smaller supermarkets estate. The Netto outlets will be converted into Asda stores and will form part of its new division for units that are smaller than 25,000sq ft. The UK Office of Fair Trading has ordered Asda to sell about 30 former Netto stores to satisfy local competition issues.

Sainsbury's

Store Formats	Total net Sales (£m)	Format	No. of Stores	Sales Area (000s sq ft)	Av. Sales Area (sq ft)
Sainsbury's	£1,913	Hypermarket	28	1,915	68,405
Sainsbury's	£16,620	Supermarket	509	15,006	29,482
Sainsbury's Local	£890	Convenience / Forecourt	335	883	2,637
sainsburys.com	£540	Online	-	-	-

Sainsbury's current UK priorities are as follows:

- **Broadening the retail offer into new areas** – Sainsbury's will continue its significant expansion of non-food space; currently growing at four times the rate of food. Sainsbury's launched its non food online ordering service which can be delivered to its customer's home or collected from the customers nearest store.
- **Developing convenience** - Plans to open 75 to 100 new stores in 2010/11 and 100+ thereafter.
- **Combining quality with value** - Sainsbury's has used 'Switch and Save' to drive own label product sales, yet has continued to emphasise its points of difference within product quality.
- **Growing the online business** - Sainsbury's continues to invest significantly in its online business, with growth of 20% in 2010.
- **Nectar** – Sainsbury's loyalty card scheme continues to be a key driver of growth in addition to its 'coupon at till' technology.

Performance:

Sainsbury's has maintained its strong share in Fresh & Chilled food and has seen increases in its share of Alcohol, Frozen, Healthcare and Household.

Trading Strategy:

- Customer Offer – Quality focused own label products, competitively priced brand and service orientated staff.
- Price & Value – The introduction of a value tier of "Basic" own label products, "Switch & Save" promotional campaign to highlight savings customers can make by switching from branded to own label products.
- Health – Support the health and well being of children through its Active Kids programme providing cooking and exercise equipment to schools and the use of nutritional profiling on the front of its own label products to inform customers of a products healthiness.
- Ranging – Based on a Good, Better, Best tier of own label products, priced focused at the lower tiers and quality focused at the upper tiers. The aim is to offer price competitive products on every day essentials and to offer customers unique products and point of difference on the upper tiers.

Recent News:

Sainsbury's recently announced that they will be planting 2 million trees over the next 5 years with The Woodland Trust. The announcement came as they launched their 2010 corporate responsibility report, which includes a new initiative called "Sustainabili-tree". The initiative sets out all the ways Sainsbury's will contribute to the protection and regeneration of the world's trees, helping to ensure a healthy and sustainable source of trees for future generations.



MORRISONS

Store Format	Total net Sales (£m)	Format	No. of Stores	Sales Area (000s sq ft)	Av. Sales Area (sq ft)
Morrison	£15,316	S/S	425	11,867	27,992

Morrisons' current UK priorities are as follows:

- **Building on recent momentum** - Recent commercial performance has been strong, with Morrison's growing faster than the wider grocery market.
- **Going from 'national to nationwide'** - Growing the store network from its predominantly northern base, to achieve greater geographical coverage throughout the UK.
- **Driving the value message** - Morrison's uses its vertically integrated supply chain and innovative promotional tools (Buy One Get Two Free) to promote its value credentials.
- **Tailoring for smaller stores** - Having acquired a number of smaller outlets from The Co-operative Group, Morrison's will take a location-specific approach to developing these sites.
- **New Chief Executive** - The appointment of Dalton Philips is expected to lead to subtle changes in Morrison's trading strategy.

Performance:

Morrison's share growth is driven by Ambient, alcohol Fresh & Chilled, and Household – it overtrades in Ambient and Fresh & Chilled.

Trading Strategy:

- New customers – Attract and retain new customers to Morrison's.
- New locations – Purchasing 38 former Co-op sites and thought to be interested in buying ex-Netto sites that Asda has to sell.
- Smaller stores – Ex Asda / Netto stores.
- New ranges – Thought to be considering an expansion of non food products to compete with its rivals.
- New concepts – No announcements have been made, but one key area of difference is Morrison's lack of an online ordering and delivery service compared to its rivals.

Recent News:

On 2nd August 2010, Morrison's launched its first ever primary school clothing essentials range for going back to school, at a flat price of £2 – whatever the item, whatever the size. Literally one price fits all.

The co-operative

Store Formats	Total Net Sales (£m)	Format	No. of Stores	Sales Area (000s sq ft)	Av. Sales Area (sq ft)
The co-operative	£4,528	S/S	1,017	8,604	8,460
The co-operative	£2,973	C/F	1,966	4,107	2,089

The co-operative's current UK priorities are as follows:

- **Integrating the Somerfield business** - During 2009, the retailer rebranded 181 Somerfield stores following its acquisition.
- **Completion of the store re-brand programme** - The retailer also rebranded and upgraded 778 of its own store network.
- **Driving its points of difference** - The recently launched multi-media campaign emphasises the retailer's credentials in ethical trading and environmental initiatives.
- **Improving its value positioning** - The Co-operative Group will invest significantly in price and promotions over 2010, and use its greater scale post-Somerfield acquisition to generate further efficiencies and cost-savings.
- **Continued consolidation where appropriate** - The retailer will continue to seek opportunities to merge with independent societies where appropriate.
- **Supply Chain** – The integration and rationalisation of the Somerfield / Co-op supply chains will be a key objective throughout 2010-2011.

Performance:

The Cooperative has lost Market Share through falls in all areas other than Healthcare, which remains flat.

Trading Strategy:

- **Product Categories** – Define key product areas by Hero, Drive, Squeeze and Hold to determine store space required and realign Co-op offer to its customers needs.
- **Fresh Food** – Develop and enhance the groups reputation for fresh foods. To be “Good with Food”.
- **Ranging** – Integrate Co-op and Somerfield products and supply chain into a single product category.

Recent News:

The Co-operative Group has pledged £21 million for various projects including an Apprenticeship Academy that will create 2,000 jobs.



Store Format	Total Net Sales (£m)	Format	No. of Stores	Sales Area (000s sq ft)	Av. Sales Area (sq ft)
Waitrose Food and Home	£181	Hypermarket	5	261	52,205
Waitrose	£4,230	Supermarket	214	3,894	18,195
Waitrose	£7	Convenience / Forecourt	4	20	5,000

Waitrose's current UK priorities are as follows:

- **Launch of 'essential Waitrose'.** Waitrose has launched a full range of private label products as 'essential Waitrose', to bolster its value credentials.
- **Developing new formats** - Over the last two years Waitrose has launched three new concepts: Market Town, Convenience and Motorway Service station sites. The first new smaller format convenience store opened in May 2010.
- **Growing the online business** - Waitrose plans to significantly expand its online business, and has recently abolished delivery charges for all online orders.
- **Differentiation** - Despite the value focus, Waitrose will not abandon its quality approach and emphasis, as demonstrated by the recruitment of Delia Smith and Heston Blumenthal to promote the use of Waitrose products in home cooking. Waitrose recently bought the Duchy Organics brand and plans to further expand the number of products available and re-brand the products Duchy Organics at Waitrose.
- **Partnerships** - Waitrose is working with retailers including Boots (Health & Beauty) & Shell (Petrol Forecourt) to drive the distribution of its products into new channels.

Performance:

Waitrose increased its total UK Market Share thanks to gains across all categories except Healthcare.

Trading Strategy:

- **Supplier relationships** – Encouraging the development of joint business plans, identifying new brands and products which differentiate Waitrose's offer versus its competitors.
- **Organics** – To source its organic produce from the UK where possible.
- **Fairtrade** – One of the largest UK retailers of Fairtrade products supporting a broad and diverse range of products.

Recent News:

Waitrose has announced plans to open its own cookery school above its store in Finchley Road, London. The idea is to help its customers learn to cook with its products and to promote healthy cooking in schools.



Store Formats	Total Net Sales (£m)	Format	No. of Stores	Sales Area (000s sq ft)	Av. Sales Area (sq ft)
M&S	£3,008	Department Store / Food Hall	297	2,823	9,505
M&S	£3,807	Department Store	332	11,128	33,517
Marks & Spencer 'Simply Food'	£19	Supermarket	5	5	1,098
Marks & Spencer 'Simply Food'	£2,182	Convenience / Forecourt	352	1,583	4,497

M&S's current UK priorities are as follows:

- New Chief Executive - The appointment of Marc Bolland is likely to accelerate the retailer's plans in terms of international growth, online development, systems renewal and innovation in food.
- Developing a value proposition - The retailer is addressing its price perception through reductions on customer known value items (KVIs – identified as “Wise Buys” in store) and also its meal deal offers (Dine in for £10.)
- Emphasis on quality - Although work is underway to address price and value, M&S has not left the quality message behind, and continues to promote its credentials in this area
- Investment in systems - M&S will invest heavily in its back office systems over 2010, with improving availability being a key target

Performance:

Marks & Spencer overtrades significantly in Fresh & Chilled but lost 0.1% points which has impacted its overall performances. It has also lost share in Alcohol and Toiletries.

Trading Strategy:

- Ranging – Introduced a range of “iconic” consumer brands to supplement its 100% own label product range.
- Innovation – Drive innovative new products through the use of new healthier ingredients and technology.
- Supplier relationships – Build lasting and successful supplier partnerships to ensure high quality and innovation.

Recent News:

Marks & Spencer officially opened its new 1.1 million sq ft distribution centre just off the M606. It will form the largest warehouse in the M&S network and one of the biggest in the UK, it will serve all M&S stores with furniture products and store equipment (e.g. racking) and, next year, ambient food (non-refrigerated food, e.g. biscuits, cereal, tins).



Store Format	Total Net Sales (£m)	Format	No. of Stores	Sales Area (000s sq ft)	Av. Sales Area (sq ft)
Aldi	£2,163	Hard / Soft Discount	420	3,725	8,869

Aldi's current UK priorities are as follows:

- **Consolidating recent success** - Growth has slowed significantly and with a new management team in place, Aldi will be looking to restore strong sales growth.
- **Building the store portfolio** - Aldi has a long-term target of 1,500 UK stores, and plans to open one per week over the coming years.
- **Emphasising quality credentials** - While Aldi operates as a discounter, the retailer has worked hard to develop high-quality products, winning numerous awards along the way. High profile products such as Lobster and its Christmas stuffed meat joints have achieved a high profile in the media.
- **Developing brand communication** - Aldi has become a more 'open' business, and uses more multi-media marketing to drive its messages on both quality and price.

Recent News:

The Grocer Own Label Food and Drink Awards judge food and drink products on criteria such as taste, content, appearance, packaging, labelling, innovation and value for money. Aldi scooped a total of six awards; from biscuits to bacon, cherry jam to French ham and tear and share bread. Aldi was also successful at the International Wine Challenge 2010 with 26 award winning wines and a total of eleven spirits were successful in the International Spirits Challenge in 2010.



Store Format	Total Net Sales (£m)	Format	No. of Stores	Sales Area (000s sq ft)
Spar	£2,748	Convenience / Forecourt	2,603	3,642

Spar UK's current priorities are as follows:

- **Growing the store network** - Spar has a long-term target of recruiting 5,000 independent retailers into membership.
- **Format development** - In 2009, the first Eurospar, larger format stores opened in the UK, building on the success of the format in both Northern Ireland and Ireland – this format provides an additional route to growth.
- **New services** - Food-to-go is a strategic component of Spar's 'formats of the futures' and offers the potential to differentiate its offer.
- **Value credentials** - Building on the successful launch of the Spar Extra Value range, the Group will continue to utilise its private label ranges to demonstrate its value for money credentials in the convenience sector.

Store Format	Total Net Sales (£m)	Format	No. of Stores	Sales Area (000s sq ft)
Budgens	£431	Supermarket	101	654
Budgens	£100	Convenience / Forecourt	97	210
Londis	£1,675	Convenience / Forecourt	1,864	2,272

Musgrave's current UK priorities are as follows:

- **Growing the store network** - Recruitment of independent retailers will continue to be the key focus, helping to drive volumes and distribution.
- **Range development** - Musgrave GB is increasingly seeking to develop its store offer, with an emphasis on locally sourced ranges.
- **Private label** - To support its value credentials, both Budgen's and Londis will continue to develop their private label ranges.
- **New format development** - The roll-out of the new formats will provide the Group with a stronger competitive edge, particularly given the focus on food-to-go ranges.

1.9 Useful information for Irish companies:

Food Standards Agency <http://www.food.gov.uk/>

Department for Food Environment and Rural Affairs <http://www2.defra.gov.uk/>

Retailer websites

- www.tesco.co.uk
- www.sainsburys.co.uk
- www.asda.co.uk
- www.morrisons.co.uk
- <http://www.co-operative.coop>
- www.waitrose.com
- www.marksandspencer.com
- www.aldi.co.uk

Groceries Supply Code of Conduct <http://www.competition-commission.org.uk/>

VAT www.customs.hmrc.gov.uk

UK Chilled Food Association www.chilledfood.org

UK Water Resources Action Programme (WRAP) www.wrap.org.uk

2 Identifying product opportunities.

The key to successfully trading with UK consumers is identifying viable product opportunities. The main way to achieve this goal is through a market study visit or shopping the category. Here are a few points to consider:

- It is important to remember that the largest retailers should not always be the main focus of your study; it is often interesting to visit convenience stores and food to go outlets such as Eat or Prêt à Manger.
- Also remember that the product itself is not always the main focus. Innovation can come in many forms, so look out for packaging ideas and materials, pack sizes and weights, the use of interesting or unusual ingredients as well as alternative brands and designs.
- Check the retailer's website for any indication of any flagship stores where new formats or product trials might be in progress as it is always useful to visit the very latest company stores. Also consider if there might be any region variation of the product range and whether a visit to more than one region is applicable.

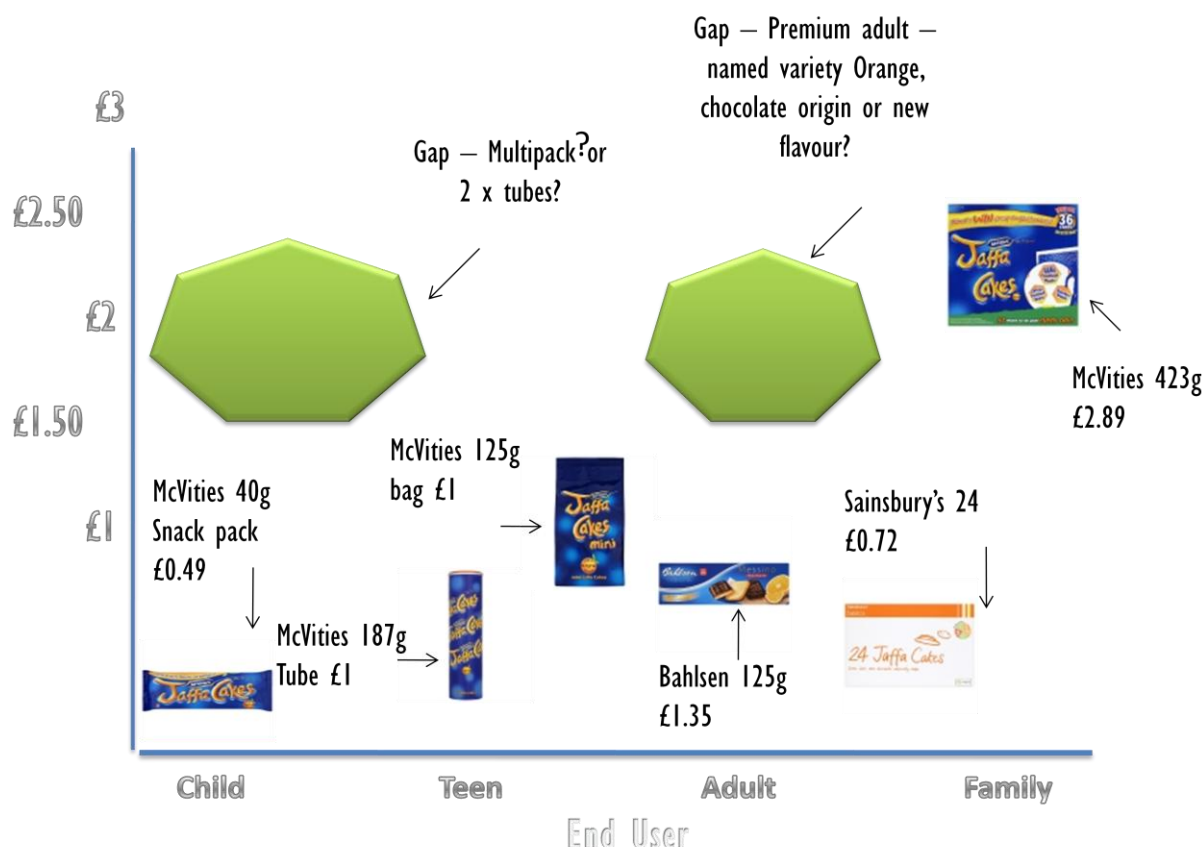
In addition to a market study visit, it is very important that you take the time to review your own product ranges.

- **Analyse your sales in detail** - Product by product – you should include a review of each products profitability to ensure that it is worth continuing to supply each product in the UK. Consider the growth rate of each product over 1, 3 or 5 years and look at how that product is performing. Does it still deserve its place within the range?
- **Calculate the % of sales by product to your total sales** – are you over dependent on a few products or is your business balanced across a large number of products? Do you need to rebalance your sales?
- Calculate the % of sales per customer to your total business – think about how much time it takes to service each customer. It is surprising the number of times a smaller less profitable customer can take up proportionately more of our time.
- **Benchmark your products** – take an honest view of your products position within your target market. How does it compare in terms of quality, price, taste, pack size and branding? Is there any opportunity to redevelop or improve your product to capitalise on a gap in the market? Do you have all the necessary variants, flavours and pack sizes to meet your target customers needs?
- **Identify your core competencies** – what makes your business stand out from the crowd? Compare your company to your competitors and look for areas of advantage that you have and areas of advantage that they have – how can these differences be maximised? What is unique about your company and products? Developing a strong USP that fits with your target retailer's strategy, objectives or values is the key to engaging successfully with UK retailers.
- **Analyse the market in which you are trading** – consider which areas are in growth and which in decline, which require more product development and which retailers are performing strongly and why. Think about why customers are spending more in this category and how you could tailor a product to their needs.
- **Review UK own label products in your product area** – Marks & Spencer, Waitrose and Sainsbury's often lead the market in terms of packaging, flavours and ingredients. This was very much the case in terms of using only natural flavours and colours, barn or free range eggs or MSC certified fish. Also check the Food Standards Agency website (<http://www.food.gov.uk>) to determine any legal information or advice, particularly when referencing salt, saturated fat or sugar levels in your products.
- **What do your brands say about you and do they help identify your brands USP's** – Brand communication needs to be clear and effective and should mirror the values and USP's of your company. A key check is to visit your website, an often forgotten and over looked area, but it is a key factor in influencing a buyer at the introductory stages. If your website is out of date or looks tired, you won't get a call. When was the last time you posted a "news" event on your website?
- **What are your strategic objectives** – consider how UK market entry will help you achieve your targets, as well as the timescales and resources that are available to manage the UK market, versus what will be required to achieve your targets or manage your UK business.

As a result of this review, you will have determined some activities that will need to be addressed and that will help you understand what is required to launch successfully in the UK.

Sometimes it can be useful to plot product ranges into their product tiers to determine any opportunities or gaps. An example based upon Jaffa Cakes is included below.

	Good	Better	Best	Other – Designer, species specific, kids, organic, healthy etc
Size £	40%	35%	15%	10%
Price range	£0.25 to £0.49	£0.35 to £0.59	£0.45 to £0.99	£0.79 to £1.49
Jaffa Cakes	12 to 24 standard size biscuits	12 standard size	12 to 18 standard size	12 finger shaped. 12 Extra large. Individually wrapped for lunch-boxes.
Brand values	EU produced. Min. 20% Cocoa content.	EU produced. Min. 25% cocoa content. Made with Seville oranges.	UK produced. Min. 25% cocoa content, specific chocolate origin. Made with Seville oranges.	UK produced. Min. 25% cocoa content, specific chocolate origin or Fairtrade chocolate. Made with Seville oranges. Bespoke packaging.
Role	Drive footfall, grow volume.	Drive sales and profit. Compete with brand x.	Create new market. Compete with brand x.	Create new market. Compete with brand x. Create brand identity and awareness.
Target customer	Families, low affluent. Value matters.	Quality & value.	Food lovers. Self treat. Gourmet.	Food lovers. Self treat. Gourmet.



You could also plot the category onto a graph similar to the example above. This analyses retail price and customer types, although you could use different examples such as own label, brands, pack size or packaging formats, convenience or take home. The example given here can be taken to indicate that two opportunities exist. However, this example does not include all varieties or brands and is just for illustration purposes.

Once your matrix is complete, review how the products fit and consider how you might:

- Upgrade your products to create a wider margin against your competitor's products or create new product tiers.
- Eliminating duplicated products that achieve similar purposes.
- Develop new products based on your USP's and UK consumer trends or that brings your range into line with your competitors and eliminate their advantage over you and fill any gaps on the matrix.

2.1 Market Study Visit

Before you visit any stores it is often useful to investigate the retailer's products online in advance. Complete a simple spreadsheet with the details (and pictures) of the brands ranged, retail prices and promotions available, this makes it much easier to visit the stores free of paper and pens.

When in store, think about the following:

At the fixture:

- How is the category merchandised?
- What is the ratio of brands to own label?
- Do any brands dominate?
- Which brands are being promoted?
- What is the difference between brands and own label of the same products?
- What new ideas can you find – product, pack size, format, packaging or design?
- How is shelf ready packaging being used?
- How many facings across and how many products deep are the products merchandised? How does this fit with your

existing case size / shelf ready packaging format?

- How would your product look on the shelf next to these products?
- What would the retail price need to be to fit within the product tiering and to be attractive to the customer?
- Are there any other relevant categories that you should also view – if you were investigating biscuits, you should also check Free From, Boxed Chocolates and Gifts. If you were investigating cooking sauces, you should also check Free From and Ready Meals for example.

Customer:

- In general terms, what type of customer is currently visiting the store? (It is important to consider the time of day and its relevance to your category when deciding upon the time of your visit.)
- How is the customer shopping your category? Do they know what they want to buy (have a list)? Are they browsing?
- Are they brand or own label orientated?
- What proportion of customers is shopping with / without children?
- How many customers are shopping with baskets vs. trolleys?

Store environment

- Look at the store point of sale displayed in store – are the key messages value or quality orientated?
- Identify the strength of the promotional offers – how good are the offers? Would you buy it?
- What proportion of the promotions are branded versus own label?

Think about what you have seen and determine what you think is important to the customer. Use these ideas to consider how you can improve your products and your overall retailer proposal to maximise both retailer and customer appeal.

Once you have visited all the retailers, including any “food to go”, or product related stores, such as Boots or Holland & Barrett, you will need to review your findings. You will probably feel a strong sense of identity with one or more of the retailers. Based on your findings and your knowledge and experience, rate and prioritise the retailers on the size of the opportunity to your company.

Bord Bia’s London office can offer you advice and guidance on the best retailer stores to visit.

2.2 Consumer Focus Groups.

Once your product offer is finalised consider whether you should test your products in a consumer focus group. It is not mandatory to do so, and if you believe that you have thoroughly investigated the market and completely strengthened your offer in line with your findings, it may not be necessary. However, having your products participate in a consumer focus group can often validate and endorse your analysis and even highlight further improvements or indicate any areas that might lead to confusion. In any case, the results from any consumer focus group findings can be incorporated into your presentation to the retailer. This will highlight the investment you have made, demonstrate how serious you are and endorse the opportunity you are presenting.

2.3 UK Market and consumer data.

In addition to a market study visit where you can watch consumer behaviour in action, there are also companies that can provide you with UK market data. This often includes consumer data, but usually focuses on market trends, retailer performance and market share. Bord Bia provides UK retail market data through its programmes in the form of daily news reports and monthly market reviews. Bord Bia can also facilitate introductions to Kantar World-panel which also provides UK market data (<http://www.kantarworldpanel.com/en/index.html>). Other companies such as AC Nielsen also provide a similar service (<http://www.acnielsen.co.uk/site/index.shtml>).

A retailer’s own sales information can also be available to purchase for those suppliers wishing to target a specific retailer. Dunnhumby (www.dunnhumby.com) provides a sales analysis service for the data from Tesco’s Clubcard loyalty programme.

Another key area of information for suppliers wishing to penetrate the UK market is The Grocer magazine. Published every Saturday, it provides news and analysis from the UK retail and foodservice markets as well as a detailed category focus and reports on key events such as European trade shows.

3 Identifying your route to market.

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

The supply chain challenges:

- Stock management & order lead times - Day 1 order for Day 2 or Day 3 delivery
- Different retailers have different supply chain requirements.
- Strict timings of deliveries to each depot.
- Each retailer has a number of regionally based distribution centres – a supplier to Tesco, Asda, Sainsbury's, Morrison's and Co-op might need to deliver to over 45 different UK destinations.
- 7 days per week delivery requirement.

3.1 UK retailer's main distribution requirements are as follows:

- 100% of deliveries on time, every time – often to within 15 minute pre-booked time slots, which can be hard to manage from a foreign manufacturing site.
- High levels of service +98.5% order fulfilment and availability.
- Correct pallet presentation – label, stack & wrap.
- GKN Chep 1000mm x 1200mm pallets only.
- Correct paperwork.
- Daily deliveries to all DC's.
- No minimum order to any distribution points including – Scotland & South West England.
- Reactive to short order lead-times & order volume changes.
- Forward looking – efficiency improvements.
- Business Planning Capabilities - Crisis Management & Business Continuity arrangements in place.

There are generally 3 types of deliveries to UK retailers:

- Direct to Store – Very few remain but generally Greetings cards, Stamps, & Entertainment (DVD' CD's etc) only.
- Direct to Retailers Depot – A mix of large and small suppliers from whole truck loads of commodity products to single pallets of smaller volume products.
- Via consolidated operation – A consolidation service is one where a number of suppliers to a retailer deliver into a single location (Primary Consolidation Centre or PCC) where deliveries of all suppliers products to the retailers depots is made on behalf of the suppliers. The use of the PCC allows the retailer to operate on either a minimal or stockless basis.

A supplier delivering direct to the retailer's depot:

- A supplier that controls its own frequently used, volume driven delivery system.
- Reacts quickly to changes in demand and maximises efficiency of its operations.
- Holds stock at supplier location.
- Has UK nationwide capabilities & specific retailer knowledge.
- Has a cost effective operation.

A supplier using a consolidation service:

- Suppliers share pallet space. The Consolidator delivers mixed supplier product pallets to the retailer.
- Suppliers pay a fixed rate per case delivered to the retailer with no minimum orders.
- The consolidator receives the order from the retailer (copied to the supplier), picks the order and delivers 7 days a week to each of the retailer's depots.
- Supplier monitors orders & deliveries between Consolidator & Retailer.
- Supplier produces and delivers additional stock to Consolidators warehouse.
- Consolidator delivers to Retailers depots to the retailer's required standards.

Consolidation - Advantages

- Supports those suppliers, particularly those not resident in country of operation, who do not have local knowledge or their own company personnel in the UK.

- Supplier manufacturers and delivers in larger volumes, to less distribution points.
- The Consolidator manages the often demanding requirements of retailers on behalf of the suppliers.
- Suppliers benefit from shared delivery costs in mixed manufacturer / mixed product pallets.
- No minimum orders on deliveries.
- Reduces environmental impact - less miles per kilo of product.
- Manufacturer can concentrate on managing their relationship with the retailer.
- Removes expensive seasonal delivery costs to Scotland and the south west of England in winter, when volumes may be considerably lower than in summer.

All suppliers to UK retailers are required to use Electronic Data Interchange (EDI) as this allows both the supplier and the retailer to:

- Place orders.
- Pass delivery information.
- Confirm receipt of deliveries.
- Check price accuracy.
- Send & receive invoice.
- Removes paper from payment process.
- Invoices processed automatically usually within 48 hours of receipt.

All suppliers products delivered direct to a retailer's depot must meet the basic standards for safe and legal deliveries.

Each depot delivery is assessed against:

- Product integrity- Damage to pallet, damage, crushing, dampness or contamination of outer packaging, damage caused by animals, signs of unauthorised entry and any other damage such as dents, breakages, leaks or spillage.
- Minimum acceptable life – Retailers usually require 75% of a products total shelf life to ensure they have sufficient life to sell the products in store. All own label products are tested and a minimum acceptable shelf life is written into the products specification. Any products not meeting the requirements is rejected at the suppliers cost.
- Product temperature- Temperature of perishable products is checked before unloading at the retailer's depot. At least 4 separate probed checks are made per delivery; at least one sample from front, middle & back of delivery, any results that are outside of the agreed temperature range could lead to all or part of the delivery being rejected.
- Vehicle type & condition – The use of open or flat bed vehicles is not allowed.

All pallets should be correctly labelled to include the following:

- Supplier's name & supplier's code.
- Delivery date & location.
- Pallet number & sequence of pallets i.e. 1 of 2, 2 of 2.
- Delivery note number.
- Product description & quantity.

Outer cases should meet the following requirements:

- Previously tested by supplier.
- Strong enough to be handled by people and machinery.
- Suitable for the weight and temperature of the products.
- Should not be under filled.
- Dividers should be used to separate glass items.
- Outer cases should be clearly labelled on two sides of the case. Any labels should include the suppliers name & supplier number, the products name, product code & barcode, the number, size & weight of items and any date coding & handling instructions.
- Product description should be in English and use pictures & colours if appropriate.

Strict pallet standards are also required by UK retailers. Pallets should achieve the following standards:

- Free of split or damaged timbers.
- No overhanging items or trailing shrink wrap.
- Correct use of interleaves.
- Consideration should be given to the retailers recycle / recyclable packaging policies.

UK retailers may have specific requirements for Chilled food and Fruit and Vegetables:

- Use of stronger cases or crates to improve product protection & ensure less damaged product is rejected.
- Crates can be washed and reused. Any insert cards / label contents comply with the retailers guidelines.

Specialist Chilled & Fruit and Vegetables delivery requirements:

- Can be cost prohibitive as retailers charge suppliers for renting and washing the crates. They also keep a strict note of the number of crates used and returned and will charge the supplier for any lost or damaged crates.
- Day 1 for Day 2 – Order & delivery frequency, 7 days a week.
- Forecast sent 24 hours before order +/- 10%.
- Just in time delivery - time slot is critical.
- May have pallet height restrictions.

Specialist alcohol delivery requirements:

- Use of “Bonded” warehouses for delivery to, and safe storage of, alcohol.
- Retailers may have an “in-country” operation such as depots in France, Australia, South Africa or Chile, in the case of wines, or Spain or Holland in the case of Fruit and Vegetables.
- May have longer order & delivery lead times.
- Will require the correct completion of Duty & Excise paperwork.
- May be fragile or weight considerations effect the pack or case size.

All bar-coded products for sale in the UK should:

- Comply with www.e-centre.org.uk for outer cases & consumer products.
- Branded suppliers registered with GS1 UK or equivalent for unique barcode numbers.
- Barcodes must be clearly identified on both the outer cases and the pallets.

3.2 How to Identify the optimum route to market.

Bord Bia’s London office has built a database of companies which can help Irish food manufacturers supply the UK market. This includes retailers, wholesalers, transport and warehousing suppliers, and sales, marketing and distribution companies. With the assistance of a Logistics Mentor, Bord Bia can help food & drink manufacturers identify the best combination of these for an effective route to supply their potential UK customers.

Four steps to enable Irish suppliers to identify effective routes to market:

- Identify your target UK retail customers.
- Complete Bord Bia’s Route to Market checklist.
- Bord Bia will identify a shortlist of potentially suitable companies.
- Supplier meets with perspective companies and appoints preferred partner.

Suppliers may wish to consider how they manage their UK retailer relationships. There are a number of options available:

- Sales, Marketing & Distribution companies (SMD’s) - Develops & manages daily business activities within the agreed market. SMD’s usually order, deliver and take financial ownership of the products before selling the products to the retailer. SMD’s may use their own delivery vehicles or the services of a Distributor / Logistics Service provider. (LSP.) An SMD’s margin aspirations may vary between 12-18%, although it may be higher or lower depending upon the category, rate of sale and value invested in stock.
- Agents – Provide a local management service of all commercial activities on behalf of the supplier, but do not usually take financial ownership of the stock, which means that the supplier must be set up on the retailers systems to receive orders and send invoices. Agents are usually paid an agreed rate or commission per unit sold. Margin expectations are typical between 3 to 10% depending upon the category and volumes. This can be an effective form of local representation for Irish suppliers as it provides full and total cost transparency for the supplier.

Any supplier that is unsure which option suits their business, should consider the following:

- Does the SMD / Agent already supply your target retailer?
- Can they provide the technical expertise? Advise on NPD and factory quality standards you may need?
- Advise on UK law and product trends?
- Are they flexible & innovative, represent your values and able to offer long term stability and positive sales growth?
- Do they have established logistics & IT systems that support both the retailer and the supplier?

- Have they existing supply agreements with key customers and real access to Buyers?
- Do they have strong category knowledge to position your products and identify new product opportunities on your behalf?
- Do they have experience of both supplier brands and own label?
- Do they represent any brands that conflict with your products or brands?

Once a supplier has identified an appropriate UK partner to act on their behalf, it is in both parties interests to agree a contract. Any contract should:

- Clearly define the roles & responsibilities of both parties.
- Agrees the length & renegotiation terms of the contract.
- Protects the manufacturers brand, reputation and trademarks.
- Agrees the market in which the SMD / Agent operates – that might be defined by geography i.e. UK, by the market i.e. Retail or Foodservice or Catering, the category i.e. Bakery, Frozen or Confectionery, or the customer.
- Explains the rights & obligations for both parties during the contract termination or notice period.
- Agrees the payment terms, price change notice period and final notice period.

3.3 UK retailer depot locations.

This data represents the number of depots for each UK retailer, however, delivery may not be required to each depot, as this will depend upon the product type (i.e. chilled, ambient or frozen,) as well as the number of stores in which the product is listed.

	Tesco	Asda	Sainsbury's	Morrison's
Number of depots	26	21	20	12
Locations	Antrim, Belfast, Chepstow, Chesterfield, Coventry, Daventry x2, Didcot, Doncaster, Fastway, Fenny Lock, Goole, Harloe, Hinkley, Lichfield, Livingston, Magor, Middleton, Middlewich, Peterborough, Snodland, Southampton, Thurrock, Unity, Welham Green & Weybridge	Bedford, Bristol, Chepstow, Dartford, Didcot, Doncaster, Falkirk, Larne, Grangemouth, Lutterworth (3), Lymedale, Rugby, Skelmersdale, Teesport, Wakefield (2), Wigan, Washington (2)	Allington, Basingstoke, Belfast, Charlton, Coventry, Dartford, Elstree, Emerald, Feltham, Hams Hall, Haydock, Langlands Park, Northampton., Rye Park, Sherburn, St. Albans, Stoke, Stone, Tamworth and Waltham Point.	Northampton, Wakefield, Northwich, Kettering, Swindon, Yate, Gloucestershire, Sittingbourne, Droitwich, Stockton, Bathgate, Corby

	Co-op	Waitrose	Marks & Spencer	Aldi
Number of depots	20	9	8	6
Locations	Alfreton, Birtley, Blaydon, Carrickfergus, Chelston, Coventry, Cumbernauld, Cutler Heights, Eccleshall, Fareham, Halesowen, Harthill, Nottingham, Ossett, Peterborough, Plymouth, Portbury, Talke, Thetford and West Thurrock	Aylesford, Bardon, Bracknell, Brinklow, Haydens, Greenford, Maidstone, Theale and Weyhill (Andover.)	Barnsley, Bedworth, Bristol, Crewe, Cumbernauld, Faversham, Hemel Hempstead and Thatcham	Atherstone, Bathgate, Darlington, Middleton, Neston, Swindon

4 UK Pricing, Promotions and Margins.

4.1 Retail Pricing

The UK retail market is determined by strong competitive retail pricing forces and gross profitability targets. The retailers' commercial strategies are a balance of these two factors as they seek to attract new customers by presenting their offers to tune into their customer's value or quality aspirations. In the mind of the UK consumer:

- low price = perceived lower quality product and
- High price = perceived higher quality product.

Customers' Price Expectations

The UK customer has come to expect the very best 'value for money'. Consumers who are shopping to a budget are very aware of the prices of main brands across the different retailers. The newspapers are filled with advertisements on a daily basis. Over the last 18 months of the financial crisis consumers have increasingly become aware of own label prices in the different retailers as well

There are some categories of products where the retail price is affected by factors other than quality. Animal welfare is a typical example of this. Eggs are a product where it is difficult to differentiate on any factor other than size, pack size, breed or animal welfare. In this category the customer considers what impact they want their spend to have on the conditions that hens are raised in, as well as any perceived difference in quality that the hens habitat or lifestyle might have on the quality of their eggs.

Value Eggs x 6	63p (Tesco & Sainsbury's)
Barn Eggs x 6	£1.29 (Tesco & Sainsbury's)
Free Range Eggs x 6	£1.60 (Tesco)
Woodland Eggs x6	£1.82 (Sainsbury's)

Retail price comparison mechanisms

The UK supermarkets have very similar mechanisms for tracking their price competitiveness. As price is typically one of the most important factors that influences where they shop, UK retailers consider it of paramount importance to track their prices versus their competitors.

Each retailer will have a range of Known Value Items (KVI's) which generally includes a balance of Fresh, Ambient and Non Foods products which are important because of the high volumes sold or the positioning of the brand in the consumers mind. KVI's usually represent a significant percentage of the retailers' sales turnover. However, buyers usually check their prices weekly against that of their competitors, as UK retailers are increasingly promoting their cheaper prices against named competitors.

There are a number of UK retail market price surveys that both consumers and retailers can use to monitor the competitiveness of their pricing. For the retailers AC Nielsen compiles bespoke market data, for retailers and suppliers, The Grocer magazine produces a weekly price comparison of 33 randomly selected products. (Buyers tend to pay great attention to this survey.) Consumers can use price comparison websites such as www.mysupermarket.com or visit each retailers online website (except Morrison's who do not currently offer this service,) to compare prices. As a result of this relatively transparent price information, consumers are increasingly able to choose where they shop based on their value and quality aspirations. Over the last 13 years, The Grocer magazine has consistently awarded Asda with the cheapest UK supermarket award.

Pricing Strategies for UK Retailers.

Clearly retailing pricing is a key element of the strength of its appeal to UK consumers. However, the competitiveness of a UK retailers prices will have a significant effect on its profitability too. As a result, some retailers may work on a price indexing system, which determines what level they will they price their products, versus their competitors. For example, Retailer A may decide to be at an Index of 101 versus their main competitor. (i.e. they will be 1% more expensive or 99% i.e. 1% cheaper.) They will aim to achieve this index through a combination of Category level indices. Each category will have a weighting and a target index. On a weekly basis, the Category team will manage their retail prices against their category

target to achieve the overall corporate index rating of 101. For example, if Dairy is to match at 103, the sub category breakdown might be:

Milk	100
Eggs	103
Cheese	105
Yoghurts	103
Desserts	107
Juices	105

Milk is sold at a category index of 100 so that the retailer is able to match their competitor's retail price on a key KVI. However, it also provides the retailer with the opportunity to be able to charge higher retail prices on some of the lower volume, perhaps more premium products where there is less consumer retail price awareness, to achieve a higher profit margin. Category index targets are often set on the basis of how important a category is to the retailer's core customer.

The product categories which are most sensitive to price competitiveness tend to be highly dominated by supplier brands, particularly those which are easily recognised by the family shopper. These include:

- Crisps, Confectionery & Snacks
- Soft Drinks
- Breakfast Cereals
- Canned Goods
- Core Dairy – cheese, eggs, milk, spreads and yoghurts
- Core Meat – minced beef, bacon and sausages
- Core Chilled – cooked meats & pizzas
- Sliced Bread
- Core Produce lines
- Beers, Wines & Spirits

These categories are closely monitored by each retailer and price matching is essential to maintain market share, which is one of the buyers' key performance indicators.

Pricing compliance is a key objective for both Category managers and buyers. This means that they must work within the stated pricing index against their competitors and ensure that they are always price competitive on their KVI's.

Pricing by product tier

Retail pricing levels are primarily determined by competitiveness and value for money in the UK retail market. There are three main levels of quality within UK retailers, these are; Value products, Standard products, and Premium products, (the Good, Better, Best tiers that were identified earlier in this guide.) In addition to these, a number of additional tiers have been developed, which include; Organic, Healthy, Kids, Designer and increasingly Animal Welfare. Retailers do not have specific rules dictating the price differentials for each quality tier, other than there must be obvious gaps or steps between each tier.

Below is an example for Bacon which demonstrates the retail pricing differentials for each Bacon Tier for Value, Standard, Premium and Organic.

Product description	Tesco price	Asda's price	Sainsbury's price	Waitrose price
Own label Smoked Back Bacon (VALUE)	£1.21 for 250g £4.84kg	£1.50 for 312g £4.81kg	£1.46 for 300g £4.86kg	
Own label Smoked Back Bacon (STANDARD)	£1.92 for 250g £7.68kg	£1.92 for 250g £7.68kg	£2.24 for 300g £7.46kg	£2.49 for 250g £9.96kg
Own label Smoked Dry-cure Back Bacon (PREMIUM)	£2.58 for 200g £12.90kg		£3.19 for 240g £13.29kg	£3.19 for 250g £12.76
Own label Smoked Organic Back Bacon (ORGANIC)	£2.58 for 250g £10.32kg			£2.49 for 250g £9.96kg

Prices from www.mysupermarket.com as at 13th August 2010.

This example demonstrates how the UK retailers have developed away from products with matching retail prices based upon on the same grade of bacon, the same number of rashers and same pack weight. Across Tesco, Asda, Sainsbury's, and Waitrose, there is a range of increasingly diverse pack sizes and additional product criteria such as "thick" or "thin" cut rashers, named pig breeds or farmers and British sourced bacon. The only way to measure and compare the prices is to calculate the price per kg. Clearly consumers are not going to be able to make this calculation when they are shopping. As a result the UK retailers have managed to differentiate their offer and create a smokescreen around the competitiveness of their bacon pricing.

Pricing by retailer format

A number of UK retailers have developed a range of store formats to suit the supermarket, convenience and forecourt customer. The retail prices are often different at each type of store for the following reasons:

- The stores have different types of customers with different shopping missions, i.e. weekly shop or top-up shop and as a result price may not be such an important factor to customers in their purchasing decisions.
- Stores where the local competition is very intense and price advantages can help win trade.
- Stores which are competing against specific retailers – for example some of the supermarkets will lower prices in local areas where they are competing with frozen foods retailer Iceland to win trade.
- Regional differences on brands which are of greater importance in that region. For example, Irn Bru products sold in Scotland may be priced lower than those sold in England, where demand is lower.

Tesco and Sainsbury's are the main retailers with convenience store formats, although Morrison's, Asda and Waitrose are increasingly developing smaller store formats. Currently, Tesco's & Sainsbury's price their convenience ranges at a different level to their supermarket stores, an example of some product pricing is included below.

Tesco Convenience Store Prices v Supermarket Prices

Product	Tesco Express Price	Tesco Supermarket Price
Milk 4 pints	£1.58	£1.53
Anchor Butter 250g	£1.56	£1.50
Cucumber	75p	72p
Cherry Tomatoes 300g	92p	88p
Iceberg Lettuce	£1.13	£1.09
Heinz Baked Beans 415g	67p	64p
Sugar kg	84p	82p
Tuna in Brine 185g	86p	75p

The convenience price premium tends to be approximately +5% on average, although the percentage increase does not appear to be fixed. The reason for the price differential appears to be that with the retailer's expansion in to the convenience market, they had had to manage lower volumes sold and higher operating and delivery costs. As a result, the higher retail prices charged appear to help the retailers achieve an acceptable operating margin in these store formats.

Regional Pricing

In the main, UK retailers adopt a national pricing policy for each store format. There is some evidence of local ranging such as Welsh Milk, Isle of Wight milk; Northern Irish Milk, Cumbrian Milk etc, yet the products are priced at the same level as British Milk.

Many UK retailers offer an online shopping and delivery service. Their products are priced at the same levels of those in store, however, they do charge between £4 to £5 delivery charges in addition to these prices.

General guidelines for setting retail prices

In the past, the UK retailers' main approach to setting retail prices was simply to take suppliers recommended retail price and

evaluate the products sales as it established itself in the market. It is important that suppliers remain aware of the competitive nature of the UK retail market and the effect the introduction of the Groceries Supply Code of Practise has had in preventing discussions about retail price between buyers and suppliers.

Price pointing was a strong trend in UK retail in the 1990's. However, the trend to use retail prices that end 5's and 9's, (such as 99p and £3.95p), has all but disappeared from the supermarket retailers. Some evidence of it does remain however, in the UK Convenience market. Several year s ago, Asda took a strong stance as part of its "everyday low pricing" (EDLP) strategy, to introduce "real" and "honest" prices that might end in 3's or 7's. As a result of this action, prices that appear "unattractive" such as 93p or £1.01 are found far more commonly on products. As the UK retail market is so competitive and because retailers constantly monitor and match each other's retail prices, this form of pricing has spread very quickly across the whole of the UK market.

Some retailers, such as Iceland, have tried to achieve more impactful pricing on key high volume products for customer simplicity, initiating £1 for 4 pints of Milk and £1 for two sliced loaves. Rounded prices are becoming a lot more common in the main UK retailers as well.

There is a logical approach to the pricing of larger pack sizes of an existing product.

For example; Nescafe Coffee 100g = £2.28 (£2.28 per 100g) Vs. 200g £4.44 (£2.13 per 100g)

Historically, few UK retailers printed their prices on their packs as it reduced their ability to move and match their competitor's prices and therefore to manage their margin effectively. It could also offer your competitor the opportunity to make claims about how much lower their prices were than yours. However, an increasing number of retailers are using retail price marked packs today. Morrison's price mark a considerable number of their own label products, particularly within frozen foods on products such as Pizza. Iceland increasingly using retail price marked packs with a strong pricing message to attract customers.

Product quality is a key factor in the determination of retail prices. Usually, the higher the quality of ingredients within a product, the provenance of ingredients or the percentage of an ingredient, the higher the retail selling price. Examples of this can be seen in the percentage of chocolate covering on biscuits, percentage of Cocoa solids in chocolate and the use of Aberdeen Angus or Scottish Salmon as an ingredient within products. Buyers try to maintain these pricing relationships between product prices, so that tiers or hierarchies exist. In many cases new product development specifically targets these hierarchies to drive increased retail price, margin and value growth in their categories.

On a like-for-like basis, own label products are always cheaper than supplier branded products. However, there any no rules or generalisations about how much cheaper supermarket own label products are versus the suppliers branded products. This is due to the competitiveness of the branded suppliers and the retailers themselves. Sometimes the own label variant can be just a few pence cheaper or they can offer a substantial saving. Some examples are included in the table below.

Product Name	£ Price	Product Name	£ Price	Product Name	£ Price	Comment
Tesco Standard Cornflakes 500g	94p	Sainsbury's Std Cornflakes 500g	94p	Kellogg's Cornflakes 500g	£1.99	44% saving vs. Kellogg's
Tesco Luxury Toilet Roll x 4	£1.90	Sainsbury's Luxury Toilet Roll x 4	£1.90	Andrex Toilet Roll x 4	£1.99	4.7% saving vs. Andrex
Tesco Cream Crackers	25p	Sainsbury's Cream Crackers 200g	26p	Jacob's Cream Crackers 200g	35p	35% saving vs. Jacob's

As buyers adjust the retail price of supplier branded products, they will also adjust the retail price of the corresponding own label product to maintain its cheaper price.

4.2 UK retailer margin expectations

Achieving gross margin targets is one of the two most important factors in determining retail prices in the UK; competitive market pricing is the other major factor. Average gross margin expectations for Retail are approximately 30%. However, Fresh Foods average gross margin is about 35%. Other categories vary – the table below provides approximate targets.

Business Unit	Category	Target Margin %
Fresh Foods	Fruit & Vegetables	Up to 45%
	Convenience Foods	35-45%
	Bought in Bakery	35-40%
	In-store Bakery	40-60%
	Meat, Fish & Poultry	25-30%
	Dairy	30-35%
	Cafe - Restaurant	60-70%
Grocery	Beers, Wines & Spirits	15-20%
	Frozen Foods	35-40%
	Core Grocery (Inc. Confectionery)	30-35%

The specific category margin expectations per UK retailer vary. The A to Z guide provides a general rule of thumb. Those retailers whose first letter is nearer the start of the alphabet, for example: Asda and Aldi would probably expect the lower estimate of the target margin indicated above. Those retailers whose first letter is nearer the end of the alphabet, for example: Sainsbury's and Waitrose would probably expect the higher estimate of the target margin indicated above.

4.3 Calculating price quotations.

The main elements which suppliers should take into account when calculating their cost proposals for UK retailers are as follows:

- **Promotional spend** - Consider the impact that the funding of promotions will have on the products cost price. Suppliers should assume a 3 weekly promotional period, four times a year. Promotions will be funded in one of two ways; 1) an off –invoice case reduction or 2) as a retrospective funding payment against promotional triggers. (i.e. if you run a 'Buy One Get One Free' promotion, then each time the offer is scanned, a trigger will be created.)
- **Over-riders, Business Development Incentives or Volume growth incentives** - As the level of business with the retailer develops over and above certain levels, an additional discount applies which is paid quarterly or annually in arrears. It is unusual to agree these types of incentives with a new supplier to the larger UK retailers. They would normally only come into being after a couple of years of supply or when a substantial level of trade between the retailer and supplier has been established.
- **Marketing Charges** - There are a number of potential marketing costs associated with in-store point of sale, posters & signage as well as potential in-house advertising in magazines or promotional materials.
- **Space charges** - If the promotional product requires additional or more prominent promotional space, there may be a charge.
- **Cost of Customer Complaints** - To comply with the Supermarket Code of Practice, the charging level should be agreed in advance with suppliers. In most cases a products history of previous complaint levels is available and complaints can be broken down to highlight the reason for the complaint. This allows the supplier the opportunity to review and agree "fair" levels of charging for each product's complaints.
- **Cost of Packaging Origination & Design** (generally own label only) - To comply with the Supermarket Code of Practice, costs cannot be "unreasonable". Therefore any costs should be transparently available at the beginning of any business relationship in order that a supplier may reasonably include the costs in their product price quotations.
- **Distribution Charges.** (a) Chilled Food Crates – Their use is compulsory in most large retailers and there is an annual charge for their use. However, Outer case packaging is not usually required and depending on the product size, more products can be fit into these crates than an Outer Case. (b) Back Hauling – If a supplier chooses to use the retailers' distribution system, for example, to collect deliveries from the suppliers factory or distribution centre, then there will be an additional cost. (c) There may be additional costs involved such as the cost of EDI system installations, if a supplier does not already have them. Most retailers offer free alternatives such as website based EDI systems.

- **Technical Costs** – Suppliers should ensure that they fully understand any of the retailers Technical requirements that may impact on their product costs; such as the cost to maintain Technical accreditation such as BRC or membership of an Ethical Trading body such as ETI.

In order to be very clear about the size and relevance of each Retailers charges, Suppliers should ask the retailer for the following documents at the beginning of their relationship with each retailer:

- **Retailers Rate Card** - This will include the cost of “doing business” with the retailer such as Technical, Supply Chain and Artwork costs as well costs for point of sale and promotional product positioning.
- A copy of the retailers Terms & Conditions of Trade.
- A copy of the retailers Supplier Guide or “How to...” Guide.

Selling below cost price

It is at the retailer’s discretion to choose at what price they sell their products. As a result, below cost selling does take place in the UK and it is driven by the competitiveness of the market place. There are two main reasons why a retailer will sell below cost, they are (a) the need to react to their competitors retail prices, OR the need to dispose of old, surplus or slow selling products.

UK retailers are likely to have up to 200 or more products selling below their cost price at any time. It is most likely that this will include a number of their Value or Basic tier own label products, particularly where the retail value of products is very low.

Some of the biggest supplier branded products are sold below their net cost to match competitor pricing activities. However, as these products can be key footfall drivers for retailers, supermarkets are forced to maintain their availability and presence in their product ranges. In the past relationships have broken down between retailers and suppliers over the cost prices. For example, Sainsbury’s delisted Andrex Toilet paper and Shell UK delisted Coke Cola, as a result of poor product margins. Both supplier brands were replaced with either the supermarkets own label, Supersoft Toilet paper in the case of Sainsbury’s or an alternative brand, Pepsi Cola, in the case of Shell UK. Both retailers had to quickly reverse their decisions because of the adverse reaction from their customers to the withdrawal of these brands from their ranges.

4.4 UK Retail Promotional Mechanics

The main types of promotional mechanics most frequently used, in no particular order, in the UK retail market, are as follows:

- **Buy One Get One Free – BOGOF.**
- **Buy One Get Second Half Price - B1G2HP.**
- **Half Price.**
- **Multi-value – 2 for £X, 3 for £X etc.**
- **Money off promotions – Leaflets, Coupons and everyday low pricing to match competitor activities.**
- **Percentage discounts - 25% off etc.**

BOGOF - Remains a key part of the retailer’s promotional toolkit, perhaps not used as frequently as in the past. Possibly due to a customer perception that unused product is wasted. It is ideally used with products which have a number of different variants, as long as the life of the product is not too short. Customers have become increasingly concerned about BOGOF promotions used in conjunction with short shelf life products such as fresh chilled or Fruit & Vegetable products, which are increasingly seen as creating too big a weight / quantity size and creating waste at the consumer’s home. BOGOF offers as a result may have been re-branded as “half price”.

B1G2HP - Still commonly used, particularly within the Health & Beauty and Household product categories.

Half Price – for shoppers on a budget, this is particularly popular as it brings down the total value of their shopping. The recent financial crisis has significantly increased the number of half price promotions. Retailers are not so keen on this variety of promotion unless it is fully supplier funded! For a retailer the promotion needs to generate a lot of additional volume sold on promotion, to break even commercially.

Multi-value promotions - Now one of the retailer’s most popular promotional mechanics and is used widely by all retailers.

This mechanism encourages customers to increase their spend and is highly successful for increasing customer loyalty. There are a number of categories where this approach is very well established and accounts for a significant percentage of sales.

- Mince beef - “2 for £x” – As much as 90% of total volume can be sold on a multi-value promotion.
- Fresh Juice - “3 for £x”.
- Pizzas – “2 for £x”
- Muller Yoghurts – “6 for £x” or “8 for £x”

As a significant percentage of the sales of these products are sold on a multi-value method, this is often the customers’ most recognised price, rather than the single unit purchase price. Retailers will compete with each other on the Multi-value price rather than the individual unit price i.e. a customer can buy 6 for £2 at Supermarket A, compared to 8 for £2 at Supermarket B.

Often these promotions are run repeatedly on a “4 week on, 4 week off” rotating mechanic. In some ways it is almost like a permanent reduction in price. However, the deal is constructed in such a way that the retailers profit when some of the customers buy less than the number of packs stated in the deal. However, canny customers know to wait until the promotion is repeated in 4 weeks time. This works best in product categories such as Duck or Salmon, where customers do not make regular purchases because of the perceived expense of the product. Often the promotion works well as an occasional treat for the customer, as they are able to buy one to use now and freeze one for later use, resulting in little waste.

Money Off Promotions – When retailers are price matching, they often reduce the retail price by a small discount and show this as a permanent price reduction. Asda’s ‘Rollback’ is the best example of this approach, where they display in-store shelf barker cards displaying new prices.

Price points – Have been used more frequently over the last 18 months of the economic crisis. “Round” pound price points such as £1, £5 etc send strong value messages to customers managing their budgets.

Percentage discounts – Widely used on Wine and own label food sub brands. This type of promotion is ideal when the supermarket wishes to discount a product range at a short term lower price. Typical examples include:

- Tesco, Asda or Sainsbury’s – all Australian wines 25% off, Wine Festival 25% off 6 bottles or more and Fair-trade or Organic product festivals with a percentage discount such as 20% off all Fair-trade or Organic products.
- Party Foods range – Up 33% off a range of products to encourage trial and to facilitate introductions to new ranges of products.

Promotional sales drive between 20 – 35% of UK retail sales, depending upon the retailer in question. Below is a snap-shot analysis of the 5 largest UK retailers for week ending 1st August 2010.

	Asda	Morrison’s	Sainsbury’s	Tesco	Waitrose
Number of offers	1334	1953	1711	1539	830
% change year on year	-10%	12.2%	1.5%	1.3%	-6.5%
Average cash saving £	£1.70	£1.35	£1.77	£1.74	£1.75
Average % saving	26.8%	30.2%	31.7%	31.4%	29.5%
Brand / own label ratio	82:17	84:16	80:20	85:15	85:15
Average % saving branded	28.8%	31.4%	32.5%	31.9%	29.4%
Average % saving own label	17.3%	23.7%	28.5%	28.8%	30.2%

Source: Mintec The Grocer 7th August 2010.

Supplier’s promotional support

A supplier’s support for a promotion can be at a number of different levels – a percentage margin support is the most common. Suppliers are aware that Buyers will be hesitant about promoting products that do not reach their target category margin, unless the volume impact is very large. Many Buyers are targeted on cash margins, so the negotiations discussions with the supplier will centre on the levels of volume that can be driven through different types of promotions.

As each retailer competes to offer better promotions to its customers than its rivals, suppliers can increasingly select where they promote their products. Some choose to walk away if the price pressure becomes unviable. Equally, suppliers often prefer to promote products with one retailer over another as a way of developing increasingly closer relationships.

4.5 Pricing & Promotional strategies by Retailer



Pricing strategy

Tesco describes itself as “value-led” and a low price message is a fundamental part of Tesco’s corporate pricing strategy. Tesco’s are totally focused on pricing matching its competitors across all supplier branded and comparative own label products. This is commonly seen in their television advertising and the development of the now low profile Price Checker website. Tesco’s value credentials are demonstrated by the management of its own label products, particularly the Value and Discounter tiers and the through the emphasis of its “consumer champion” status in its advertising. However, the cornerstone of its pricing strategy is its price focused ranges and strong promotional campaigns.

Promotional strategy

Up to 20-25% of Tesco sales are on promotional products, using a number of mechanics including; Extra Free, themed reductions such as Save 20%, X for £Y and BOGOF’s.

Tesco has also used its Clubcard loyalty programme to increase sales from its existing customers by rewarding their loyalty. This has been demonstrated by its recent campaigns which include the doubling of voucher values during the “Back to School” shopping season.

Some examples are included below of the types of promotion and pricing mechanics currently offered by Tesco.



[Tesco 4 Chicken Sweet Chilli Skewers 255G](#)



Any 2 for £5.00



[Vimto Mixed Fruit Drink 6X330 Millilitre Cans](#)



Buy 1 Get 1 FREE



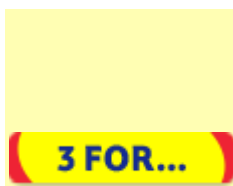
[Go Cat Tuna Herring And Vegetable 950G](#)



SAVE 35p Was £2.35 Now £2.00



[Diet Coke Caffeine Free 2 Litre Bottle](#)



Any 3 for £4.00



Pricing and Promotional strategy

Asda has been recognised by The Grocer magazine as the cheapest UK supermarket for the last 13 years. EDLP is a key part of Asda's pricing strategy; its promotional offers support its EDLP strategy. EDLP is geared to drive sales growth through volume and market share growth. Asda promotes permanently low prices through "Rollback", which is a heavily advertised programme of 12 weeks price reductions.

Asda often takes a market leading stance on retail price reductions, most recently with Banana's and Milk, but which has included Petrol in the past. Asda achieves these price reductions by either reducing its own margins to cut prices or by passing on supplier cost savings to its customers. There has in the past been negative publicity in the industry about Asda's price cutting and its attempts to claw back this investment from its suppliers through additional fees and by demanding cost reductions. Recent economic conditions inspired Asda to promote key staple grocery products at 50p and focus strongly on £1 priced products.

Some examples are included below of the types of promotion and pricing mechanics currently offered by Asda.

All your Back to School Essentials

<p>£2 Fruit Shoot H2O</p>	<p>£2 Dairylea Dunkers Ritz</p>	<p>£3 Disney Princess bubbly bath and shower gel</p>
<p>£2 Petit Filous Frubes</p>	<p>£1 Aquafresh Big Teeth toothpaste</p>	

School Shop [Shop Now](#)

Everything under £5

Selected DVDs, Games, CDs and more...

[Shop Now](#)

Sainsbury's

Pricing Strategy

Sainsbury's pricing strategy is to ensure that it remains competitive on KVI products and brands, whilst offering a range of quality own label products that showcase its food credentials and meets its customers aspirations for healthy, quality food. Recent advertising has focused increasingly on Sainsbury's value, "Feed your family for a fiver" and "Shop and Save" are examples of these. Sainsbury's tends to follow the market in pricing terms, matching their competitors on all products after their competitors have changed price, not openly leading the market on price, whilst they take the opposite tactic with quality, opening demonstrating their products improvements against their competitors. Sainsbury's also differentiates its products by offering a "Values for values" led campaign. Fairtrade bananas sold at the same price as competitors non Fairtrade bananas and Freedom Foods accredited chicken, at the same price as its competitors non Freedom Foods chicken. Other areas where Sainsbury's takes the lead is in offering products that might have a higher percentage of key proteins or be made from ingredients with a strict or authentic provenance, at the same price as their competitor's standard product.

Promotional strategy

In recent years, as much as 33% of Sainsbury's sales were on promotional items. The emphasis on bigger, better and stronger offers has lowered the figure to around 28% of total sales. However, promotions are a key element of Sainsbury's strategy to compete on price and offer value for money. The majority of Sainsbury's promotions are based upon temporary price reductions, BOGOF, Y for £X and % extra free. Sainsbury's has also recently trialled a new system that prints customers a coupon offering money off the next purchases, when they are shopping in store. Finally, Sainsbury's Nectar loyalty card also offers customers additional points on products (usually supplier branded products paid for by the supplier.)

Some examples are included below of the types of promotion and pricing mechanics currently offered by Sainsbury's.





Pricing Strategy

The core of Morrison's pricing strategy is EDLP, supported by a strong promotional programme. Morrison's competes strongly with Tesco for the position as second cheapest UK supermarket behind Asda. Morrison's recent promotional campaigns have been based around a "Price Crunch" theme, reflecting their customers' desires for cheap everyday groceries to support the ever increasingly pressure on household budgets. The emphasis today seems to have changed to a "Pay Less" for everyday essentials message.

Promotional Strategy

In the region of 30% of Morrison's total sales are secured upon promotional products. This number is probably in slight decline over recent months, but it still demonstrates the importance that Morrison's placed on its promotional offer. Typical mechanics include; temporary price reductions, % Extra Free, X FOR £Y, BOGOF's and the infamous BOG2F! There is a fine line between the value of a saving on a BOGOF and a BOG2F. How long before a customer starts to question whether your everyday price should be lower, if you can afford to giveaway 2 products for every one product purchased. This mechanic is used in most prominently at key seasonal events such as Christmas, which may go some way to reducing any negativity whilst boosting Morrison's value credentials at the same time.

Some examples are included below of the types of promotion and pricing mechanics currently offered by Morrison's.

Pay Less **Over 100 half price health and beauty essentials**

Half price

Your Health & Beauty Event

Available in most stores. Subject to availability. While stock lasts. Prices/offers may vary in Gibraltar.

Pay Less **Great offer on our Italian Ready Meals**

Buy One Get One FREE £1.99

Morrisons Italian Ready Meals
400g, £4.98/kg
All varieties

Available in most stores. Subject to availability. While stock lasts. Prices/offers may vary in Gibraltar.

Pay Less **Stock up on store cupboard essentials**

2 for £6

Buy Two Get 2 FREE

2 for £6.50

PG Tips Pyramid £3.84
160 pack, 76.8p/100g

Branston Baked Beans 62p
420g, £1.48/kg

Douwe Egberts Pure Coffee £4
200g, £2/100g
Includes Pure Indulgence & Smooth

Available in most stores. Subject to availability. While stock lasts. Prices/offers may vary in Gibraltar.

The co-operative

Pricing Strategy

As the Co-op's store base is largely convenience store in nature, the Co-op's pricing strategy is also largely based on convenience pricing. KVI's are matched to local competitors as much as possible, however, Co-op tries to balance its credentials through its promotional offer as much as possible.

Promotional Strategy

The Co-op has a themed 3 week promotional period running throughout the year. Themes vary from Fairtrade, to Half Price, Sale or Extra % Free. Each period is advertised locally with leaflets and press advertisements. Typically, in the region of 20% of Co-op sales are secured on promotion, demonstrating "top up" convenience nature of its customer base. The key promotional mechanics used by The Co-op centre upon temporary price reductions, % Extra Free and X for £Y.

A key aspect of the Co-op's attraction to its customers is its strong ethical stance. This is increasingly being used as a promotional mechanic, as demonstrated by the Fairtrade and Variety Club themed campaigns included below as examples of the types of promotion and pricing mechanics currently offered by The Co-op.



a third off
our Italian range*

Indulge yourself
with heavenly flavours.

More choice.
More delicious.
Now that's fair for everyone.
Co-operative Fairtrade chocolate

Let's raise £300,000
to help get children out and about

The co-operative
in partnership with
variety club
the children's charity

Waitrose

Pricing Strategy

Waitrose pricing strategy is based upon a combination of product quality, service and price. Waitrose is always placed 5th in retail price comparison surveys behind Asda, Tesco, Morrison's and Sainsbury's. However, this has not dampened its sales growth or expansion plans. Waitrose customers appear to accept that it is not the cheapest, but does offer unusual or unique products and brands and has a strong quality commitment. Waitrose has recently highlighted where prices it's prices are equal to Tesco's and introduced an Essentials tier of value products to its own label ranges.

Promotional Strategy

Waitrose generally offer a lower number of promotions than its competitors, typically in the region of 20% of its total sales are secured on promotion. The mechanics used vary between temporary price reductions, X for £Y and % extra free.

Some examples are included below of the range and value of Waitrose promotions.



YOUR M&S

Pricing and Promotional strategy

The Marks and Spencer's pricing strategy has its emphasis on the quality, depth and breadth of its product range. It does also support a varied range of promotional mechanics including temporary price reductions, BOGOF's and X for £Y. A key recent development has been the introduction of a Meal Deal "Dine in for 2 for £10" and its "Wise Buys" awareness campaign. Wise Buys are an attempt to introduce a Value range of quality products, some examples are included below.

Some examples are included below of the range and value of Marks & Spencer promotions.



 <p>all for £5</p> <p>Italian Meal Deal for Two = Pizza + Garlic Bread + Salad Bag</p>	 <p>3 for £5 choose any combination</p> <p>Deli Selection</p>	 <p>HALF PRICE</p> <p>Selected Stone Fruit</p>	 <p>BUY 1 GET 1 HALF PRICE</p> <p>Bread Rolls</p>
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M&S Quality guaranteed

Each Wise Buy product is sourced and produced to our high standards without ever compromising on quality. For example all our fresh pork is either outdoor bred or free range from selected British farmers following our high standards set on animal welfare.

Everyday low prices

At M&S we believe in everyday low prices, that's why we check our Wise Buy to ensure you're paying a fair price for products like milk, cheese, bread, eggs and minced beef.

Wide choice

There's over 450 everyday food and grocery products in the Wise Buy range - from fruit, salad and vegetables to fish, lamb and pasta

Easy to find in-store

Look out for the Wise Buy logo in-store

» View Thrifty Recipes



M&S Farm Assured Back Bacon, 8 rashers, **£2.49** (£9.96 per kg)

Free Range Medium Eggs, box of 6, **£1.46** (24.3p each)



Baked Beans in a Rich Tomato Sauce, 420g, **49p** (11.7p per 100g)

Super Soft White Thick Sliced Bread, 800g, **£1.19** (15p per 100g)



British Pork Sausages, pack of 8, **97p** (£2.14 per kg)

Creamy Maris Piper Mashed Potato, 400g **£1.29** (32.3p per 100g)



Fresh & Flavoursome Charlotte Potatoes, 700g **£1.16** (£1.66 per kg)

Freshly Churned English Butter, 250g, **98p** (£3.92 per kg)



Sustainably Sourced Breaded Cod, pack of 2, **£2.19** (£8.11 per kg)

Maris Piper Oven Ready Low Fat Chips, 1kg **£1.49**

British Garden Peas, 1kg **£1.62**



Sweet and Juicy Conference Pears, bag of 5, **99p** (16.5p each)

Crunchy Gala Apples, bag of 5, **99p** (14.1p each*)

Perfectly ripened bananas, per kg **99p**



Farm Assured British Beef Mince, 500g, **£2.20** (£4.40 per kg)

British Everyday Potatoes, grown to our unique farming standards, 2.5kg bag, **£1.35** (54p per kg)



Fairtrade Red Label Tea 80 bags, **£1.58** (63p per 100g)

Tempting Teacakes with Juicy Sultanas, pack of 6, **84p** (14p each)



Pricing and Promotional strategies

Aldi uses its main marketing tool, a weekly promotional leaflet, delivered in each store's local area or via advertisements in the national press, to demonstrate its value credentials. Aldi strongly promotes food products such as Salmon, Lobster, Wine and Olive Oil, to provide it with an upmarket image. Some examples are included below.



In pricing terms, Aldi's highly advertised weekly Super 6 Fruit & Vegetables promotion, based upon 6 produce items, has influenced Tesco's, Asda & Sainsbury's into similar promotional techniques. The example promotion below included portions of tomatoes, beetroot, spring onions, lettuce, Avocado and celery, for 39p.





Pricing and Promotional strategies.

Spar's recent focus has been on its "Food to go" ranges as a driver to grow sales across its convenience network of stores. Its pricing strategy is increasingly driven by offering competitively priced KVI's and its promotional strategy includes a range of mechanics such as BOGOF's, half price and X for £Y offers. Recent promotions have increasingly focused upon "round pound" prices or X for round £Y. An example of Spar's recent promotional offers is included below.

Real deals

- 3 for £1: CRUSH ORANGE juice
- Only £1: FISH & CHIPS
- £1: FRIES
- 3 for £2: Digestive biscuits
- BUY 1 GET 1 FREE: PARMESAN CHEDDAR
- 2 for £4: Toffee & vanilla ice cream
- 3 for £10: South Africa wine

Varieties as stocked . All products subject to availability. See in store for details. *See the value*



Pricing strategy

Iceland's pricing strategy is to offer exceptional value for money to its key customers, most notably; mums! It has a strong price and value proposition supported by its round sum pricing, television advertising (geared towards seasonal events such as Christmas, BBQ and Easter,) as well as TV sponsorship and in recent years, celebrity endorsements. Its value roots are inherent in its branding, lean management style and the work ethic of its owners. The product offer is based around relatively large pack sizes, priced in "round pounds". Iceland's new website banner proudly advertises "all round value", a play on its all round pound prices. Whilst Iceland is predominantly a frozen foods retailer, it does also sell a range of chilled and convenience food and drinks, and this is an area in which Iceland is gaining share.

Promotional strategy

Iceland has a strong price strategy, supported by its relatively strong use of Half Price and BOGOF promotional mechanics. Iceland has over 680 UK stores as well as a delivery service covering the majority of the UK. Iceland is one of the most innovative and consumer aware companies in the industry.

Some examples of its pricing and value proposition are included below.



26 Bumper BBQ selection pack - £5
 12 Burger buns - £1
 750g Mini corn cobs - £1 (x2)
 200g Sweet & crunchy salad - £1 (x2)
 24 Seafood kebab selection pack - £5
 16 Portion strawberry gateau - £3
 600g Coleslaw - £1
 300g Cherry tomatoes - £1

5 Managing UK retailer relationships.

There are a number of important factors to consider if suppliers are to achieve successful relationships with UK retailers. This section of the guide will cover some of those key areas and should act as a quick reference point.

5.1 UK Buyer types and strategies.

Buyers roughly fall into one of 4 types: analytical, amiable, expressive and drivers. Understanding which type of buyer you are working with will help suppliers to identify the right techniques to use in managing their buyer relationships.

Analytical buyers

- Buyers who generally lack assertiveness and responsiveness.
- These buyers like to analyse and compare things.
- They take their time and are wary of making quick decisions.
- They deal in facts and like things to be objective rather than subjective.
- They tend not to confide in social situations and rarely engage in small talk.
- They avoid risk taking and like things to be put in writing and in detail.
- They find salespeople to be intimidating especially if they feel under pressure - Their main tactic for getting rid of salespeople is to stop replying to their voice mails.

How to work with analytical buyers:

- Don't push them into making quick decisions.
- Take your time. Slow down.
- Take action rather than words to demonstrate helpfulness and willingness.
- Sticks to specifics – this type of buyer expect salespeople to exaggerate and will look to find fault with your product.
- Their decisions are based on facts and logic, they avoid risk.
- They can often be very co-operative, but established relationships will take time to achieve.
- Consider telling them what the product won't do - they will respect you for it, and they will have spotted the deficiencies anyway.

Amiable buyers:

- These buyers are highly responsive, but not very assertive.
- They are very friendly, good in social situations and prefer friendly relationships to conflict.
- Amiable buyers lack assertiveness so they are quick to agree to appointments and meetings, but are they wasting your time?
- They tell you what the competition are up to, but what are they telling the competition about you?
- Look after your amiable customers. They are loyal and unlikely to move to a competitor because that involves a certain degree of conflict and they hate giving bad news.
- They are nice people to be around, but find difficulty saying no and in negotiations tend to give everything away.

How to work with amiable buyers:

- Be their friend.
- Work, jointly, seek common ground.
- Find out about personal interests and family.
- Use personal assurance and specific guarantees and avoid options and probabilities.
- Take time to be agreeable.
- Focus discussions on 'how'.
- Demonstrate low risk solutions.

Expressive buyers:

- Expressive buyers are highly assertive and highly responsive.
- They tend to be impulsive buyers with low boredom thresholds and a short attention span.
- They love to buy concepts and will make quick, if not always good, decisions.
- They don't want a lot of detail and will not read detailed proposals.
- They are not good listeners and like brainstorming sessions.
- They are confident and flamboyant, but not great when it comes to detailed thought and analysis.
- In negotiations they start off strong but get bored and will often make a concession just to get things over with.
- Expressive buyers tend to buy on the day.
- Get some sort of commitment from them while you can. Once you have gone they will be moving on to their next project and will have forgotten about you.

How to work with expressive buyers:

- Let them do the work. Ask open questions.
- Seek opinions in an area you wish to develop to achieve mutual understanding.
- Discussion should be people as well as fact oriented.
- Keep summarising – record specific areas of agreement.
- Close them down and get some commitment today.

The Driver

- The Driver is highly assertive, but not very responsive.
- This is the typical negotiator. Tough, uncompromising, doesn't suffer fools gladly and determined to be in charge.
- Drivers want to be in control and can appear to be aggressive if you don't give them what they want.
- They seem unfriendly at first and will impose time deadlines on meetings.
- The Driver doesn't want to be your friend, so the friendly salesperson will irritate them and as a result will often bully the salesperson into submission.
- The Driver drives a hard bargain and wants to win.

How to work with Drivers:

- Be assertive. Use eye contact. Stand up for yourself.
- Plan to ask questions about specific actions and results.
- Use facts and logic.
- When necessary, disagree with facts rather than opinions.
- Keep the meeting business-like, efficient and to the point.
- Personal guarantees and testimonials are least effective - provide options and facts.
- Learn how to say no

Whatever a supplier's own preferred style, they should try to match the behaviour of the buyer they are selling to.

5.2 Buyer meeting preparation.

If a supplier, following the content of this guide, has now secured a meeting with a UK retailer, they now need to plan for their first meeting. The key to successful buyer meetings is for the supplier to put themselves into the buyer's position and consider what concerns the buyer might have:

- Are the new supplier's products / services of good quality?
- How will buying from the new supplier make the buyer / retailer better off?
- Is the new supplier better than my current supplier?
- What are the risks in changing suppliers?
- Does the new supplier really understand my business and my needs?

Below are some useful guidelines and tips for suppliers to consider:

First Meeting:

- Check route & plan parking – Do you need to arrive the day before? Consider the day of the week, the season, is it school holiday period? Suppliers lose valuable time to bolster their confidence and finish their preparations, finding parking and navigating detours.
- Arrive a minimum of 10 minutes early – Arriving too early puts the buyer under pressure and opens the possibility that they will wait further. The longer the supplier waits, the more they can doubt themselves or their proposition.
- If you are late – Contact the buyer at least 30 minutes in advance of the meeting start time and give them the opportunity to re-schedule. A buyer's time is precious. If a supplier is 15 minutes late for a 60 minute meeting, they will generally only get the remaining 45 minutes to meet the buyer. What impression does the buyer have about the supplier's ability to deliver on time?
- Business cards available – Make sure they are up to date and relevant. If you have more than one supplier business card, ensure any inappropriate cards are safely out of the way.
- Ensure you have had a drink & been to the toilet in advance – You may not be offered either and do not want your performance at the meeting to be affected.

Planning the meeting:

- Agree the meeting objectives and agenda in advance – there is less likelihood of being caught off guard or unprepared.

- Decide what to include in the suppliers presentation.
- Who to take to the meeting with the buyer.
- Should you take samples?
- Think about the questions you wish to ask.
- Think about what questions the supplier will be asked.
- Prepare a laptop and printed copy of your presentation.

Plan for a maximum of 60 minutes:

- Introductions & pleasantries – Don't ignore the opportunity to chat informally with the buyer, it is possible to learn a lot about their business and its aims, objectives and priorities. Allow up to 15 minutes.
- Supplier presentation – Keep it brief and to the point. Include any sampling, discussions and questions. Allow up to 15 minutes.
- Summarise any agreements, actions and timings. Allow 15 minutes.
- You have an additional 15 minutes contingency if required. Buyers are happy to finish a meeting early. You have given them back some free time and will often comment and praise you for this. If the buyer is happy to remain talking beyond the meeting time, the supplier should be aware that they are not providing the buyer with information that can be used against them in the future.
- If you are meeting for the first time - how will you recognise each other? Take a supplier branded bag or sample of your product to the meeting to make it easier for the Buyer to identify you.

Presentation content

A new supplier's presentation should be targeted to provide the buyer with a strong sense of security, high product availability, good service and innovative products.

- Page one - Company background & history – keep the information appropriate. Long timelines and inappropriate data about the past leave you less time to talk about your products. Include details such as the date your company was established, the number of employees, key customers, export markets and a picture of your factory with the suppliers name above the door to demonstrate financial stability.
- Page two - Technical information that demonstrates the security, safety and healthy environment in which your product is produced.
- Page three - Supply Chain information that demonstrates how you already have the capability to supply the UK effectively. Include a copy of any certification that is appropriate.
- Pages four to five – Include market data such as key consumers, market growth, the retailer's performance against their competition, that demonstrates that this retailer is underperforming the market and needs your products.
- Pages six to eight - Commercial information such as pictures of your product range and case size information (SRP's) and any independently recognised awards (which should only be included if achieved in a maximum of the last 12 months.)

Best practise:

- Include your name and contact details.
- Pictures should be used throughout the presentation, preferably in the same position on each page.
- Avoid blocks of text – keep information in bite sized one line chunks.
- Keep the total presentation to somewhere in the region of 10 to 15 pages and 15 minutes maximum.
- Include more than one presenting voice if possible.
- Keep the content short, sharp and to the point.
- Do not include extravagant claims.

If you are considering whether more than one person will attend the meeting with the buyer, you should consider how a colleague adds value by:

- Supporting you.
- Adding expertise such as Technical or Supply Chain experience.
- Can help you perform more than one task at the same time by preparing samples for example.
- Does the additional colleague demonstrate the supplier's commitment, add authority or add support to bolster your confidence?
- Consider who is attending from the retailer – the suppliers commitment should mirror that of the retailer to prevent suppliers being overwhelmed or outnumbered.

If you do have colleagues attending the meeting with you, remember to plan their roles and input to the meeting:

- Leader / Spokesman – should always be the Account Manager that will be responsible for this customer, even if the MD or Owner is attending.
- Expert (Technical / Supply Chain) - to provide detailed information or expertise and to answer questions.
- Authority Figure (Owner / Director) - to demonstrate commitment to the retailer. Should not be allowed to overrule or commit the supplier unless agreed in advance.

Common errors:

- Suppliers often assume this is a one off chance to sell all their products – Buyers are expecting suppliers to have done their homework and to be offering a focused range of products that will meet the retailer's needs. Suppliers can subtly include other product pictures in their presentation or samples.
- Samples – Too many inappropriate samples are wasted. If you send them to the buyer in advance of the meeting ensure you pack them and send them yourself, (as no one else understands how important this meeting opportunity is, as you do.) Label all samples carefully, ensure the package is sent to the correctly spelt buyers name and address (include a desk or floor number?)

The most important questions any supplier should ask are:

- When you are looking at taking on a new supplier, what is really important to you – Demonstrates how the supplier puts the retailers and service first. Buyers will generally answer “service” and the supplier can then tailor the remainder of their presentation and all of their answers to demonstrating how the supplier is service focused.
- Who is the person the supplier is talking to – What is their role, responsibilities, job history and personal motivation. This is a good way of building rapport.
- Their organisation - Ask them about their business. Where are they based, what are their major products, where are they going?
- The decision making process - Who makes decisions, how do they do it and what time scales are involved?
- Problem solving - What problems do they face that supplier could help solve?
- Needs - What are their needs? What are they looking for from a supplier? Demonstrate how the supplier can give them what they are looking for.
- Finance – Are there any budget issues we need to discuss? How important is cost to them? What are their category margin aspirations?
- Current suppliers - Who are they? How happy are they with the service they receive? Can we do better?
- Competition - Are we in a competitive situation? Who else is involved?
- Commercial: How many stores? Forecast volume? How are orders sent & confirmed? How frequently are orders / deliveries required? Will I receive a forecast? (Any margin of error?) Method of payment & payment terms? Frequency of promotional activity? (Rate Card?) Business development incentives? Suppliers pay for cost of customer complaints? Artwork or Packaging costs?

Buyers will also have a number of questions they will wish to ask of the supplier. Such as:

- Commercial - Why do you think I need this product? Who else are you supplying? How will you share the financial risk of listing this product? (Or how will you support the launch of this product in my business?) What marketing funds are available or included? (Beware answering with a value that the retailer can spend for you!) And can I have this product exclusively?
- Supply Chain - How will you ensure 100% availability? How will you maintain stock levels during peak seasonal uplifts? What are your delivery lead-times? Will you hold stock in the UK? Who is your distribution partner? What is the price for full load / single pallet?

The key to suppliers successful performance at a meeting with a UK buyer is to ensure that they remember what it was that got the retailers attention. Was it the suppliers?

- USP – Product, Technical, Logistics, Case Size or Cost?
- Margin – Is the retailer under margin pressure from the current supplier?
- Supply monopoly – How many suppliers does the retailer have? Do they wish to increase or to consolidate their number of suppliers?
- Brand.
- Innovation.
- Service.

Suppliers should not come give a retailer a price quotation until they fully understand all the retailers' requirements.

- How many deliveries a week? How many locations?

- Order lead-times?
- How many stores?
- How many facings? Shelf position / Location of fixture in store?
- Net pricing? Promotional frequency?

Suppliers should remember to build the difficulty to supply the retailer into their pricing structure.

- The easier the retailer makes it for the supplier to supply them – the cheaper the supplier's price is.
- Do not give a price you appear to offer everyone. Make your price appropriate for the customer.
- Take time to go away and consider the size of the opportunity before you offer the retailer a price.

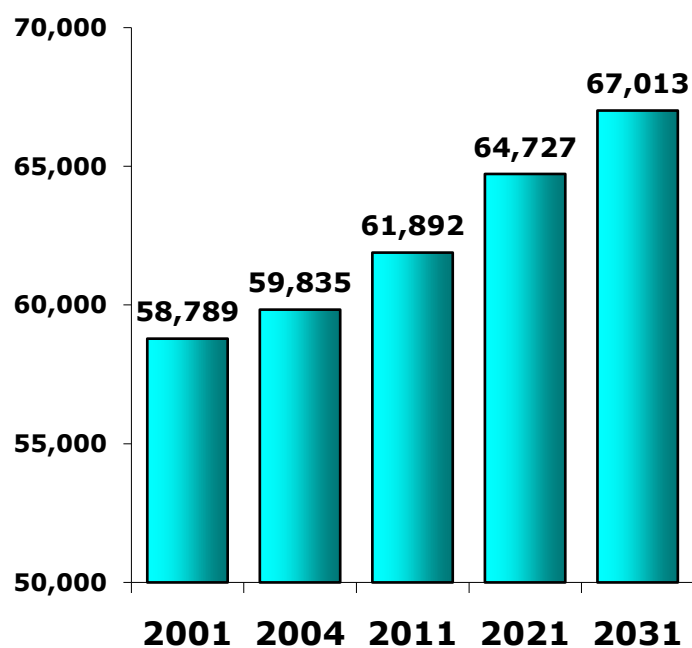
Appendices

Demography: 10 most populated regions

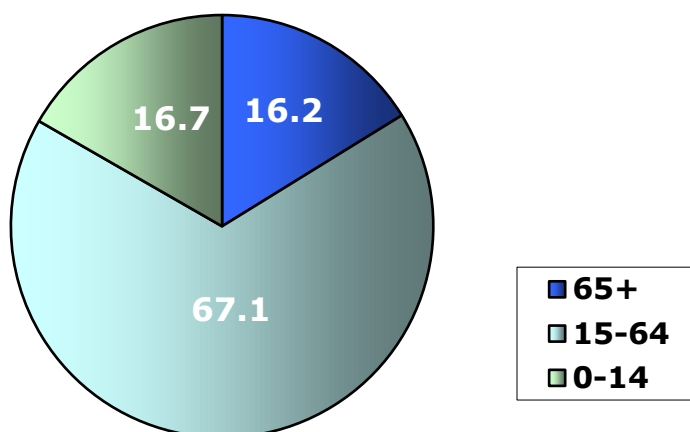


Region	Population	Population / hectare	% Total UK Population
Greater London urban area (London)	8,278,251	50.99	14.1
West Midlands urban area (Birmingham)	2,284,093	38.09	3.9
Greater Manchester urban area (Manchester)	2,244,931	40.20	3.8
Glasgow urban area (Glasgow)	1,749,154	40.60	3.0
West Yorkshire 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

Population Forecast (000's)

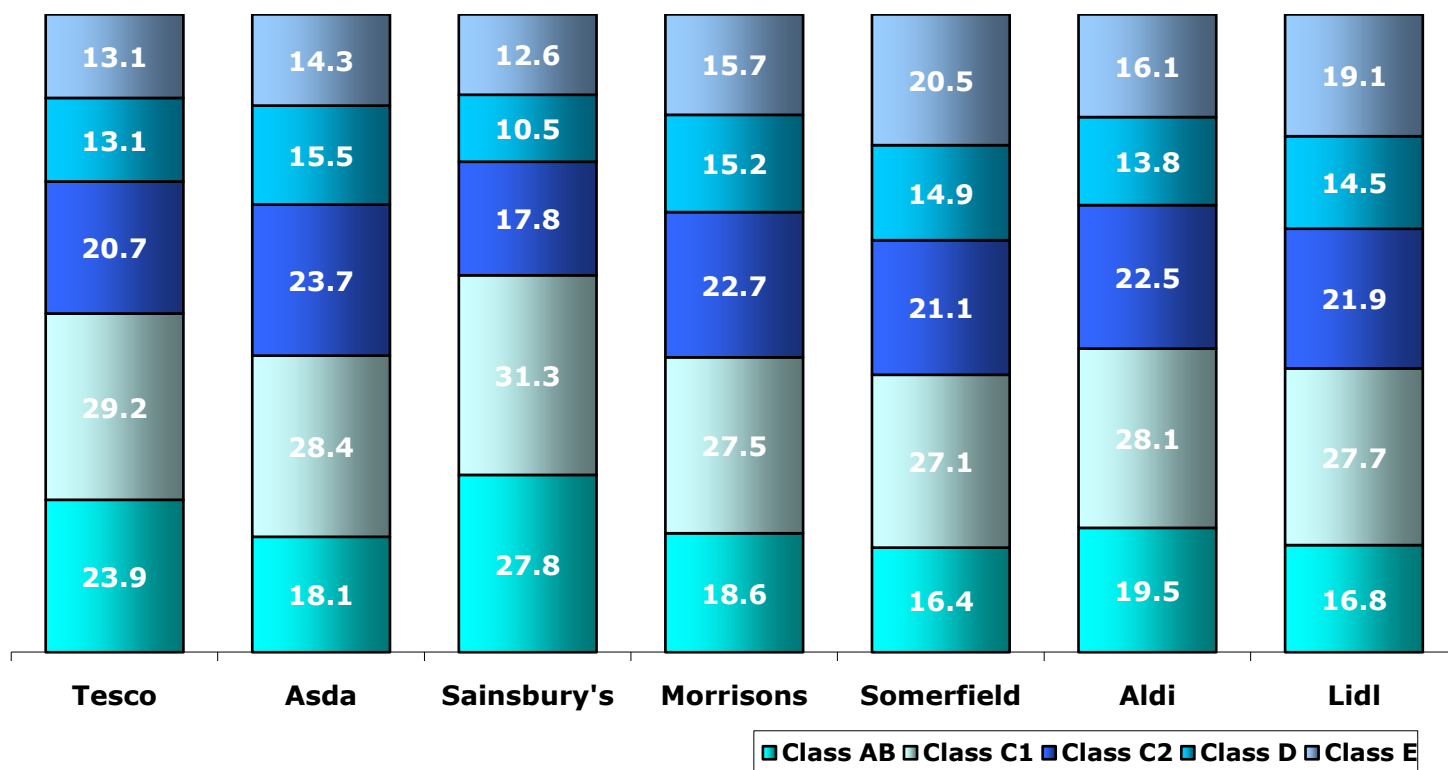



Population Split by Age, 2009 (%)



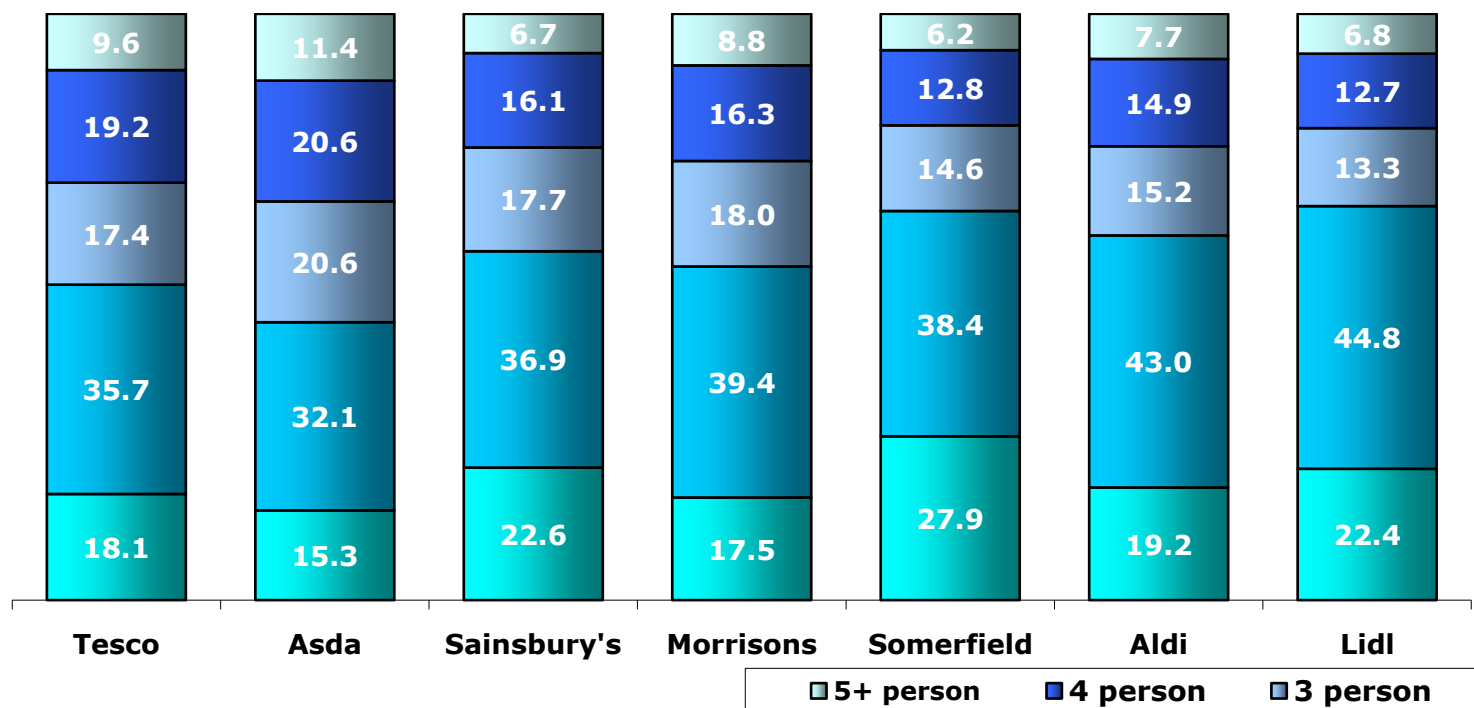
Source: Office for National Statistics, 2008, CIA World Factbook


Breakdown of Buyers by Social Class %



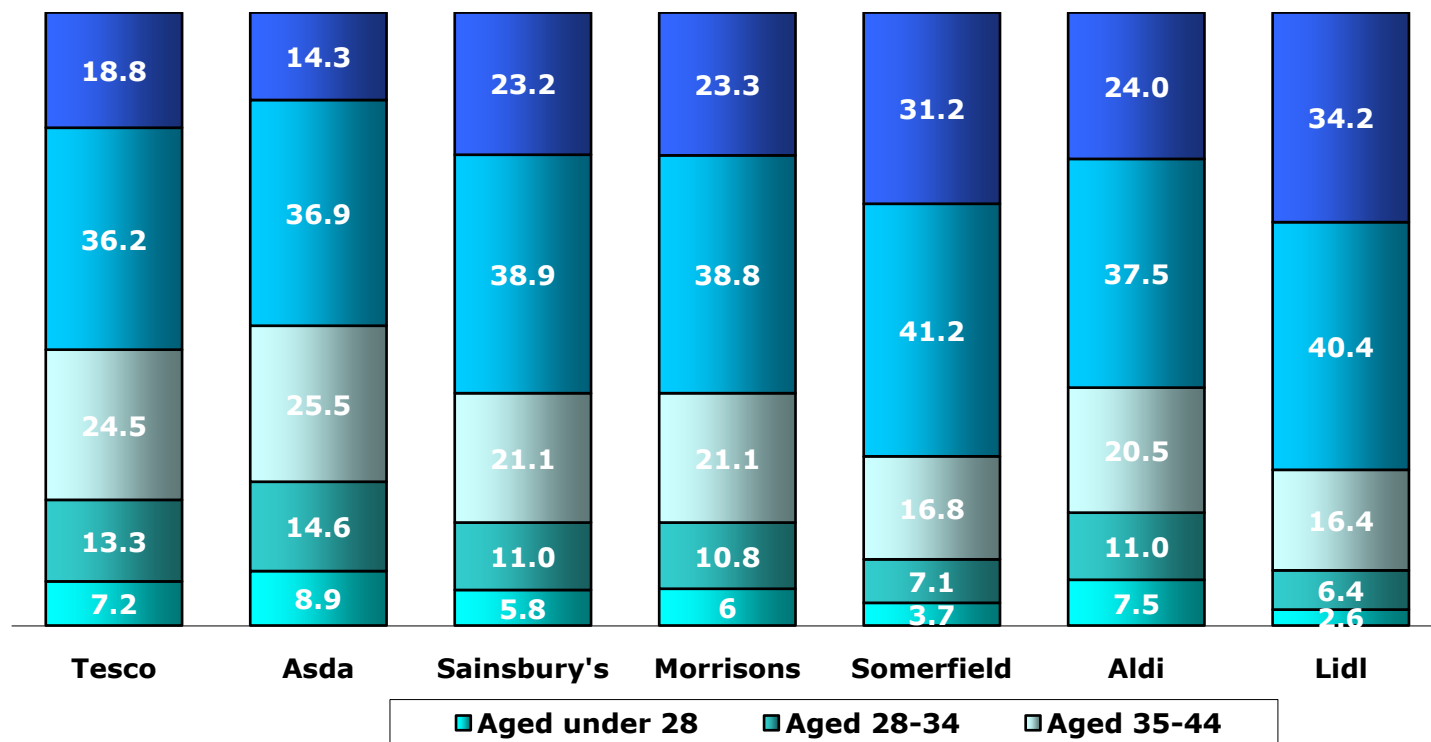
Source:  52 w/e December 08
Data for 2009 will be released in Summer 2010


Breakdown of Buyers by Household Size %



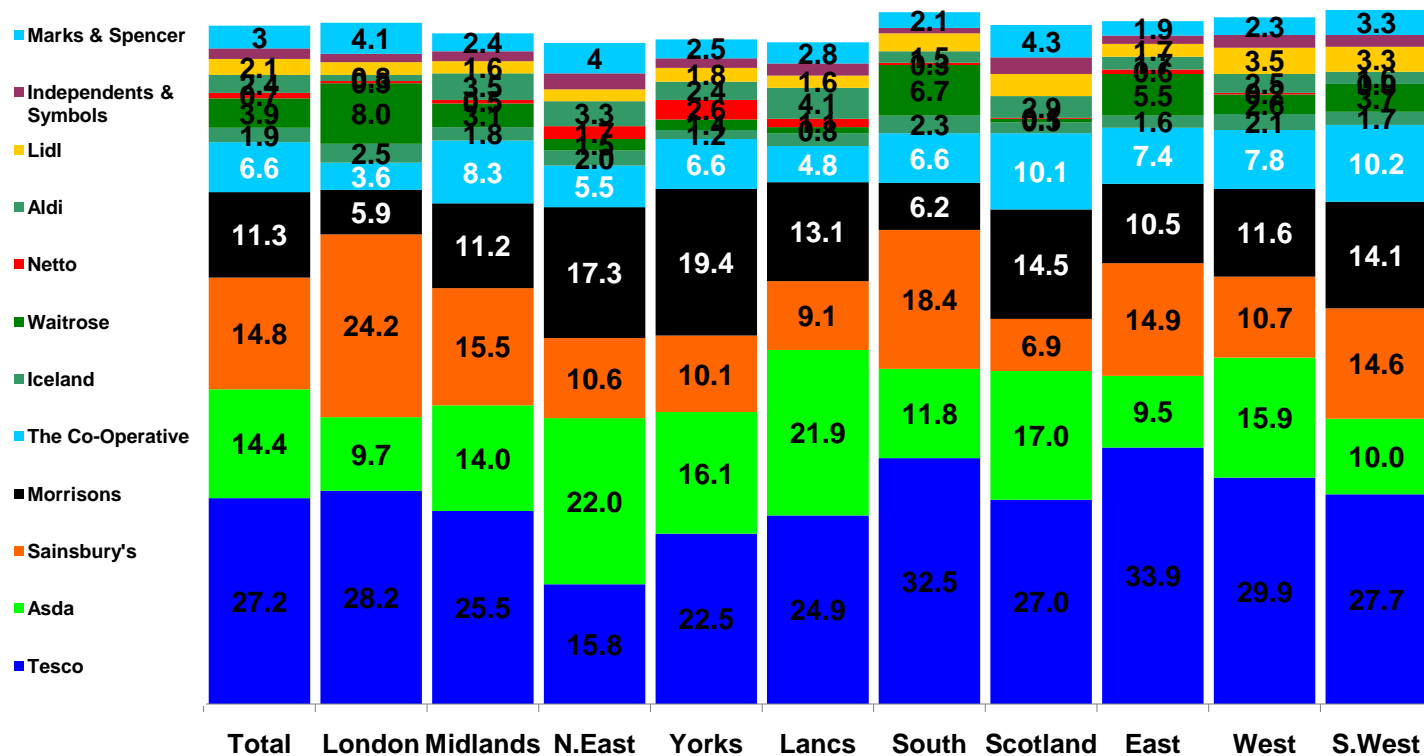
Source:  52 w/e December 08
Data for 2009 will be released in Summer 2010


Breakdown of Buyers by Age %



Source:  52 w/e December 08
Data for 2009 will be released in Summer 2010

UK Retailer Market share by region



Source:  52 w/e December 08
 Data for 2009 will be released in Summer 2010

