

UK Organic Market

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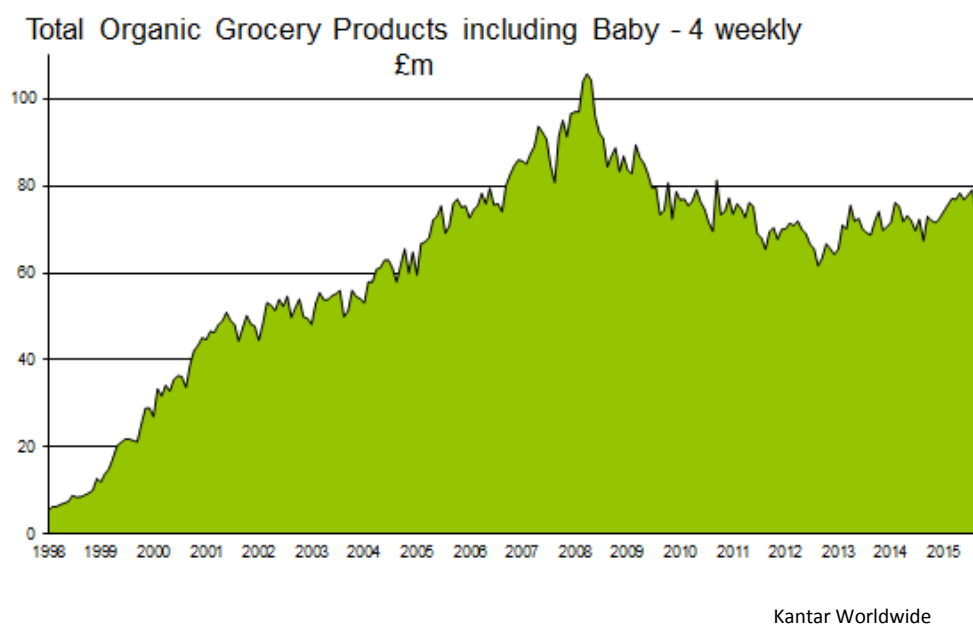
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Market Background & Performance

The UK organic market has been back to steady growth since 2012, showing +4% value increase for 2014 and 4.9% for 2015. Although this falls short of the double digit growth experienced in the mid 2000s, it is an extremely positive position when compared to the deflationary trend in the overall food and drink industry estimated at -1%.



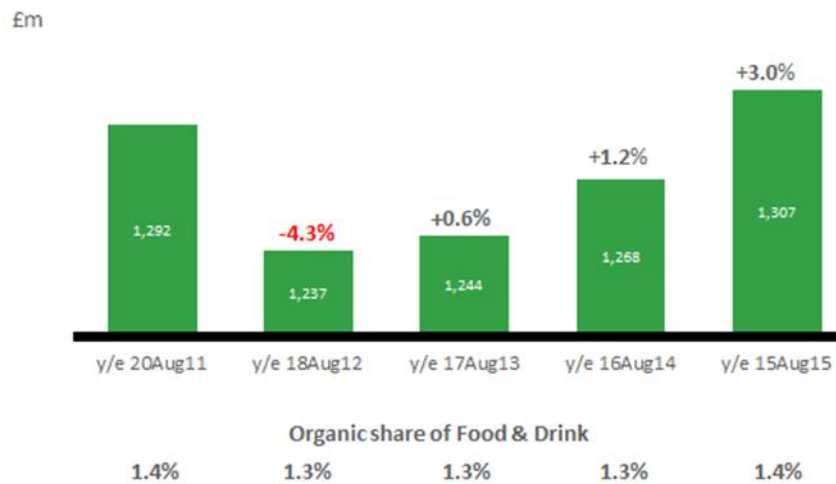
The face of food shopping has changed within the UK. Customers now shop around and the era of the 'once-a-week big shop' is said to have ended. It is not unusual for consumers to visit 4 different food shops a month on average: the habit of shopping little and often has stuck. Analysts attribute this to a number of things, the desire to 'scratch cook' when fresh ingredients are needed for the same day, the nascent rise in popularity of specialised food often seen as 'artisan produced foods' and the ongoing trend for convenience and saving time.

The current movement to more healthy eating presents many new opportunities for organic food generally and specifically in sectors such as 'free from', raw food and supplementary food additives: the appetite for premium food is also strong in the mainstream retailers despite the advance of the discounters and their low prices.

For UK organic sales, many of these trends create a bright future. Given that the number one motivation for buying organic is 'less pesticides' coupled by a desire to buy 'natural, unprocessed' food, organic is the perfect solution.

Organic sales started to turnaround in mid-2012 and were given a further boost by 'Horsegate'. At that time, consumers appeared to re-evaluate their shopping habits, once again trading up to secure better quality, provenance and integrity; this caused a marked improvement in organic sales. This improvement has been sustained for over 3 years now and is growing again.

Since 2012, the rise has been underpinned by a steady growth within the supermarket channel. Nielsen reported + 3% in sales to 15th August 2015, as shown below.



Source: Nielsen Scantrack Total GB

During the same time period, sales of organic have continued to increase in major markets across the world. Notably, the US posted a +11.3% gain in 2014 with organic at almost 5% share of the total food market whereas it is approximately 1.5% of the UK food market (Source: Organic Trade Association, US).

The two largest European markets for organic food - Germany and France - increased by almost 5% and 10% respectively. (Source: FIBL The World of Organic Agriculture)

The UK does lag behind, however it is still respected as the home of many very successful organic brands, such as Yeo Valley, Green & Blacks, Kallo, Biona and Waitrose Duchy. As the supermarkets have a much more dominant position in the UK market than other European countries, the upward growth of organic is very dependent on the availability of product in their stores as well as coverage in independent shops.

Market Channels

Overall performance of the UK grocery market has been in decline during 2015, at almost -1% value. Most of the major retailers have posted disappointing year on year performances for 2015, with minimal growth.

Market shares for each supermarket group have not changed a lot during the year with Tesco still having the largest overall grocery share through its wider store estate.

Breakdown of the overall grocery market

Retailer	Grocery Sales 2014/15 (£bn)	Number of grocery stores 2015	Retailer market share (as at 16.11.15)
Tesco	43.6	3,378	27.9
Sainsburys	26.1	1,203	16.6
Asda	23.4	646	16.4
Morrisons	16.8	667	10.8
Marks & Spencer	10.3	798	3.1
Waitrose	6.5	350	4.6
Aldi	5.3	570	5.6
Lidl	4.0	629	3.4
Iceland	2.7	871	1.9

Sources: Kantar Worldpanel & IGD

Organic food and drink sales represent approximately 1.4% of overall sales within the main supermarket groups in the UK, accounting for approximately £1.3B sales. The total organic market including independent retailers is valued at approximately £2B and growing steadily.

The chart below shows the organic share for the main retailers and how it compares to their overall grocery share.

Market share - Organic v Grocery share

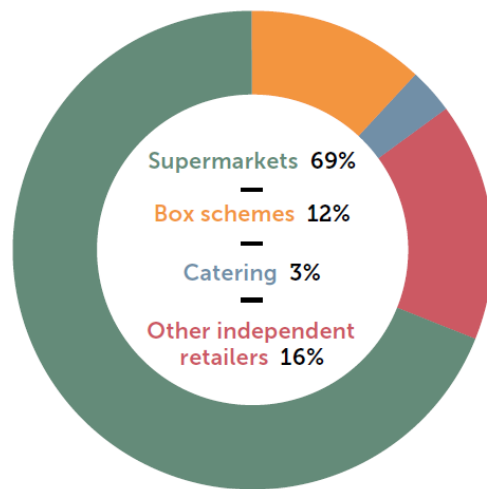
Retailer	Total Grocery(not overall retail) %	Organic %(estimate)	Importance for corporate strategy
Tesco	25.3	26	Medium
Asda	14.0	4.5	Low
Sainsburys	14.5	28	High
Morrisons	10.1	4.5	Low
Waitrose	4.9	23	High
Co-op	5.4	3.5	Low
Lidl	3.7	1.0	Low
Aldi	4.9	0.5	Low
Iceland	2.0	0	Low
Ocado	0.5	7.0	High
Marks & Spencer	3.1	2.0	Medium

Source : Kantar Worldpanel and Market estimates

In the UK retail environment, 69% of sales of total organic are sold through the major supermarkets. This is quite a contrast to other European countries where the structure of the market is more evenly balanced between larger supermarket groups and independent specialist stores. In France, approximately 50% of organic sales are through the larger retailers whereas smaller chains such as Biocoop, an exclusive organic chain with over 300 stores, offer an alternative to customers. The UK does not have any independent chains of this size, however there is a growing number of high street stores selling a percentage of organic food and drink.

Over time, it is forecast that the share of sales through supermarkets will decline further, as the organic ranges are condensed and offer inadequate choice. This has already happened in the value supermarkets such as Asda.

PROPORTION OF TOTAL SALES OF
THE UK ORGANIC MARKET IN 2015



Source: Soil Association Market Report 2016

In the UK, the percentage of non-supermarket business is 31% and this channel is worth a significant **£650m**. The market structure is gradually changing, with more business coming through independent stores and online sales. This will give organic brands more potential over the coming years.

As supermarkets have such a large share, the trend in organic sales is controlled and determined by their approach to marketing and selling the products in store. Unfortunately since the dip in 2012, there has been little interest in the premium food sector, of which organic is a part, as retailers battle on low prices to gain market share overall. Though all of the major supermarkets still have an Organic own brand range, this differs in range count dependent on the fit for their customer base and its importance within their corporate strategies.

Of the leading supermarkets, Sainsburys have become the UK's largest retailer of organic products and have been most committed to organic over the longest period of time with a loyal customer base. Waitrose overtrade on organic with a share of 23%, which is almost 5 times the size of their current grocery share while Tesco still account for more than a quarter of the market, a slight under-trade for them.

The star performer within retail is Ocado online, which trades 10 times higher on organic than their actual share of the market. Although Marks & Spencer would appear to have a typical organic consumer, they have only a small share of the market with a focus on organic within produce and meat.

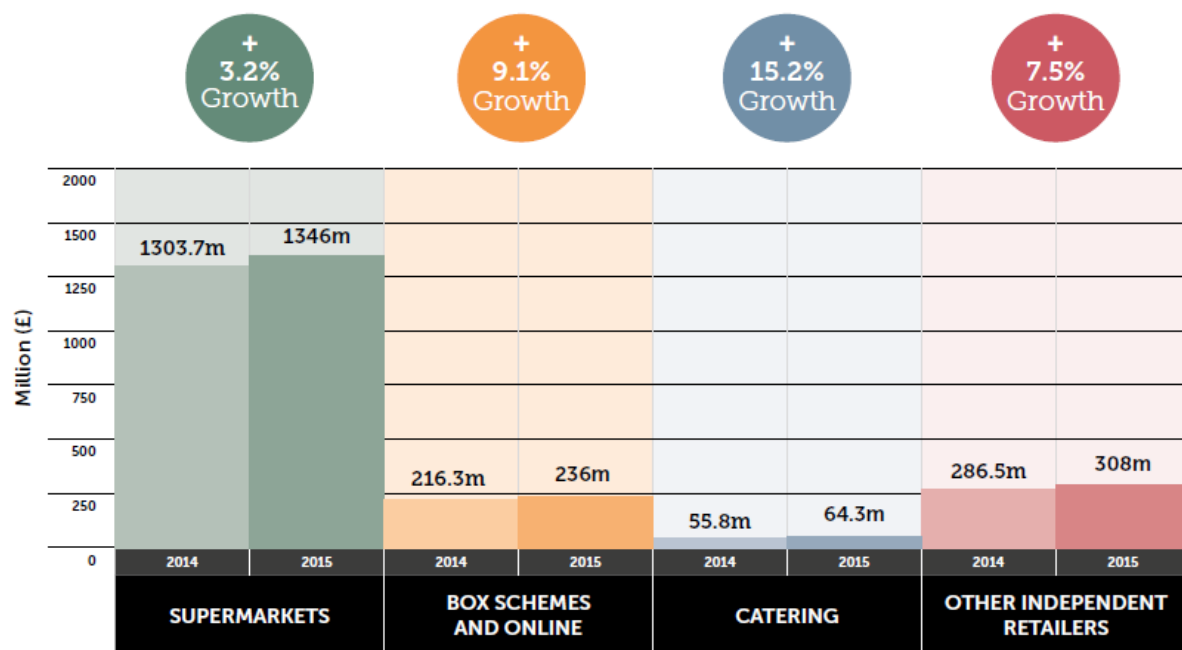
More recent entrants to organic in the UK, such as Amazon and Costco, are creating interesting opportunities for lesser well-known brands to win space. To date, the discounters have not shown much appetite to provide organic choice within their ranges, however this is slowly changing and encouraged by their successes elsewhere in Europe. It is only a matter of time before they too use organic as a 'pawn' to get more affluent, food-loving customers into their stores more regularly.

The independent sector is the most exciting and buoyant segment of the organic market. Independent retailers account for approximately 15% of UK sales totalling almost **£300m**. As savvy customers focus on health and wellness and search out appropriate solutions, they benefit from broader choice and more specialist product knowledge available in smaller high street stores and health stores. These retailers are seeing the benefits of having organic options in their ranges and enjoying the sales increase. Consumers perceive organic products to be healthier and expect to find them more readily available in smaller stores nowadays.

The independent sector is the best starting point for many organic brands, establishing the product among the customers who are less price-sensitive and using this success as a springboard for further growth through mainstream supermarkets. Many organic brands in the UK choose to be available through independents and have built up significant sales in this way, particularly specialist products such as superfoods and supplements.

The general wholesalers who focus on organic are benefiting from this trend and adding more options to their catalogues, often at customers' request. According to Soil Association Market report 2016, wholesalers of organic increased their sales by slightly more than 10% during 2015.

The Soil Association report shows the overall breakdown for organic sales across the market channels for 2015, with respective growth rates as follows:



Source: Soil Association Organic Market Report 2016

Catering aside, the biggest growth comes from online and box schemes, a market worth £216m, confirming the importance of convenience and choice for organic shoppers. Box scheme operators have a well-established niche within the city shopper segment, providing choice of a mix of organic fruit and veg or meat, with clear farm provenance

Home delivery for organic is exceptionally strong; Again it guarantees availability of product in a sector where often the supermarket shopper can be disappointed by incomplete organic ranges or

simple lack of choice. Nielsen recently reported that 43% of shoppers are now shopping online regularly and 17% of internet shoppers have actively used Amazon for a grocery shop. As highlighted earlier, Ocado are leading the online organic market and are becoming known as the 'destination shop' for organic.

The convenience of shopping online with home delivery specified to suit the customer's busy schedule, appeals to the emerging younger consumer of organic.

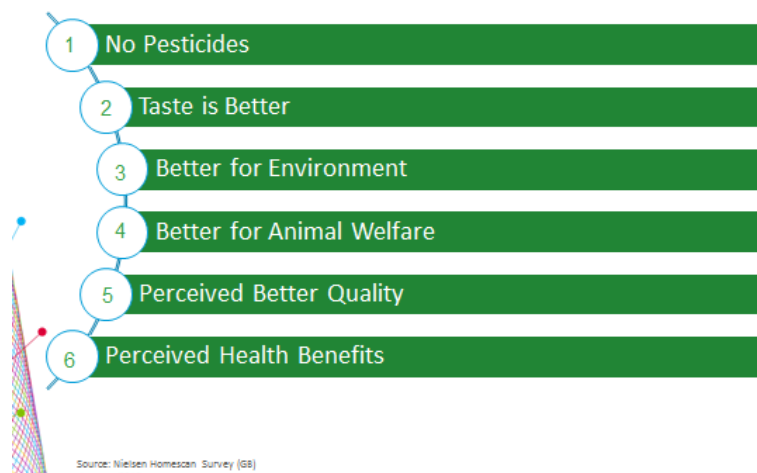
The Organic Consumer

1. Demographics

The UK organic consumer has changed over the last decade and a higher percentage of sales is coming from the younger market, the Millennials (aged up to 40). Older, more affluent, shoppers are still estimated to account for just under 50% of the market. This presents an interesting opportunity for organic. Millennials are much more likely to use technology, they are much more aware of health, they want 'food on the go' and they want to be much more informed about food. They also like brands and supporting products with a cause. Altogether, there is a niche for marketing organic to the 'millennials' as it correlates strongly with many of their beliefs and motivators.

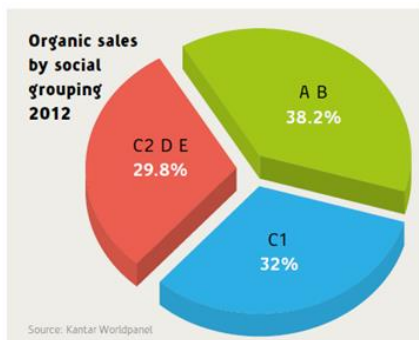
Overall, less pesticides and better taste are the key reasons why consumers are buying organic.

THE KEY REASONS FOR BUYING ORGANIC



Although many consumers choose organic because of its 'naturalness' and being 'free from nasties', there is still a lack of understanding about the key benefits, not helped by a lack of marketing messages within the supermarket environment. The perceived benefits of quality, taste and health are often subjective yet the most compelling reasons for purchasing.

Organic is purchased widely across all socio demographic groupings, with a clear skew towards more affluent consumers in London and the south east of England. In its early development period, organic food was seen as pioneering new farming techniques with a very niche following, this has changed substantially and a typical customer now sees organic as a mark of quality, provenance, healthy eating and social responsibility.

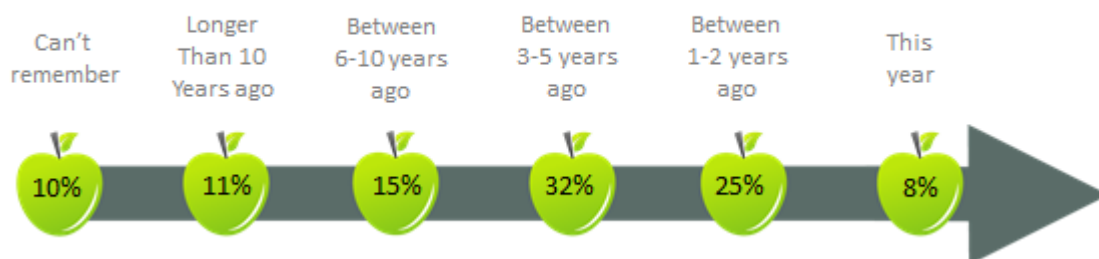


Organic consumers have a strong interest and loyalty to brands. Much of the current growth in the UK market is being fuelled by successful organic brands who are communicating clearly with consumers and also innovating at pace. There are many challenger brands that have established their name and gained loyalty because of their organic status. Younger consumers want to buy into brands that 'are doing the right thing' while at the same time, giving a quality tasty product. As an example, Pukka, the herbal tea business, has enjoyed double digit growth over the last few years and has reached sales of £17M since it began in 2001.

2. Consumer Studies

The UK Organic Trade Board carried out a consumer Usage and Attitude study in 2015 which confirmed that organic consumers are 'passionate about food' (82% agreed strongly or slightly to the statement 'I get a lot of pleasure out of food'), they prefer to look after their health (60% agreed strongly or slightly to the statement 'I really look after my health') and they care about ethical and environmental issues. Also, the research reinforced that many consumers have started buying organic since the recession ended, giving confidence that there is a new emerging group of loyal shoppers

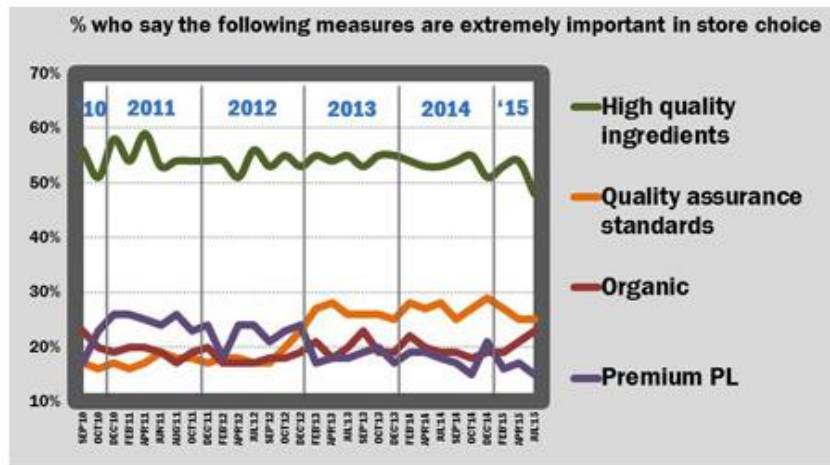
When did consumers enter the organic food market?



Research Organic Trade Board Jan 2015

In July 2015, the IGD (Institute of Grocery Distribution) carried out a survey of why UK consumers would be willing to trade up when shopping. Nearly the same number of shoppers admitted that they would pay more for quality as they would focus on saving money during the following 12 months. Nearly half of British grocery shoppers said that they were willing to pay extra for high

quality ingredients in food and grocery products with an increase in the number of shoppers saying that they would pay more for organic products.



Source: IGD ShopperVista, Jul'15, main grocery shoppers

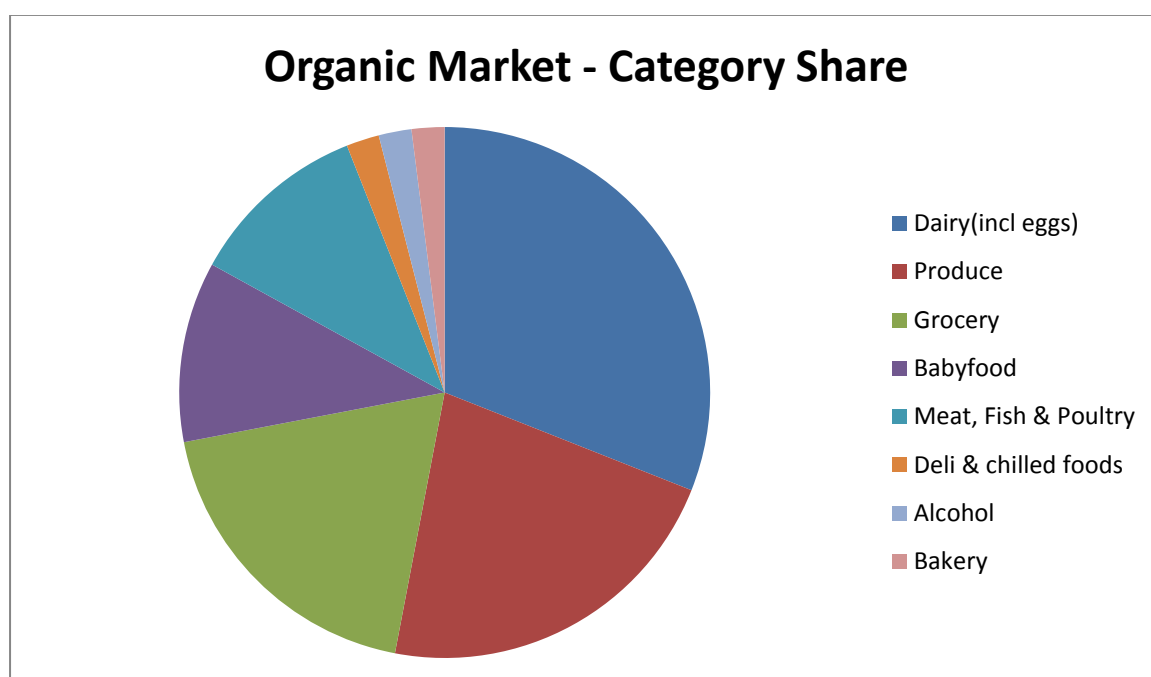
In summary, the organic consumer in the UK has become more obsessed with health and wellbeing, both the affluent older segment and the 'millennials'. This combined with their need for convenient solutions opens up many opportunities for the right organic products with unique added value benefits.

Category Insights

The UK organic market is firmly anchored within the Fresh produce and Dairy sectors. Between both categories, they account for approximately 53% of the overall market. Typically these are the entry points for new organic shoppers. In both sectors, over the years, the media have covered favourable stories about the benefits of 'pesticide free' produce and the 'good fats' from organic dairy and this information seems to have lodged within consumer minds, motivating them to buy.

Smaller, innovative brands in Grocery are helping to grow this diverse sector. With the popularity of brands among organic consumers, there are many sub sectors within dry goods which are benefiting. In particular, the move back to basics and cooking or bake-your- own food, has given rise to bigger opportunities within organic home baking, ingredients, condiments, oils and vinegars and tinned tomatoes and pulses.

Categories which have a high penetration of own brand organic ie fruit, veg, meat, milk account for a large percentage of sales yet they are fairly static in performance. This is where the most emphasis is placed on range within the supermarket environment whereas more emphasis is placed on the dry goods choice within the independent retailer channel.



(Note that all market size estimates by category on the following pages are calculated using previous market data and industry input.)

Dairy – Estimated market size £450m

Key Brands in UK market

Yeo Valley

Rachels Organic

Lye Cross Cheese

Belton Cheese

Calon Wen – Welsh organic

Grahams Dairy - Scottish Organic

Arla – own brand organic milk and butter

Dairy Crest – own brand organic milk

Muller Wiseman – own brand organic milk

Milk is the single largest commodity purchased with an approximate market size of £150m, making up over 11% of total organic sales. Organic milk sales had been extremely buoyant until the shelf price of non-organic milk was reduced to extremely low levels in April 2015: this has significantly reduced the potential for organic milk and has resulted in reduced facings in supermarkets and decline in volumes.

Yogurts, led by two strong brands Yeo Valley and Rachel's Organic also account for a market value of approximately £150m. This is a key branded sector and both organic brands are competing with much larger non organic companies such as Danone and Muller - this has challenged retention of organic listings during the last year.

Other segments of Dairy such as Cheese, Butter, cream and crème fraiche offer more potential for organic – these areas provide much more variety. Brands with strong provenance and interesting organic 'back stories' may be able to drive sales in the future, particularly within independent shops. However there is still a lot of non-organic speciality choice at lower prices.

It is rare to see any major discounts on organic dairy products apart from ongoing multi-buys on milk. Both yoghurts and butter pricing is very similar to equivalent non-organic brands.



The egg category has performed much better in the last 2 years, there has been a distinct turnaround on availability both direct from farm and on-shelf. The turning point appears to have come when Sainsburys re-launched their free range eggs in an orange packaging, this has given a welcome boost to the sales of organic. Coupled with a general improvement in choice on shelf, sales have grown during 2015 by approximately 7%.

There is a new 'cultured milk drinks' sector developing within the smaller organic retailers, as the trend takes hold among healthy eaters. Brands such as Bio-utiful Dairy and Nourish have launched kefir and other fermented drinks and are increasing their listings as popularity and knowledge of the benefits grows.

Produce – Estimated market size £400m

Own brand produce within supermarkets has to compete with the growing popularity of 'box schemes', where consumers can choose their own tailored selection of products for home delivery. These boxes are inspiring new trends among shoppers, suggesting different recipes for using more exotic fruit and veg. By contrast, the supermarket shelves are rather bland and often it is difficult to find the organic option on shelf.

However organic produce is holding its position reasonably well despite the lack of communication in store: the biggest increases are from the fruit sector which has enjoyed double digit growth during the last 2 years. Bananas account for almost 35% of all organic fruit sold. Carrots are also a key organic commodity where almost 15% of the category sales are organic

2015 has been a challenging year for pricing within the overall produce sector however, with unprecedented deflation tracking at approximately -1%. Vegetables are performing even worse at -3% decline.

For retailers, it is extremely advantageous to include organic within the overall range, as it appeals to the premium shoppers who spend more money on total basket shop. Organic produce also has a higher price tag, ultimately helping sales performance.

Organic produce has little marketing support on-shelf and the growth is clearly coming from the non supermarket sector through online delivery and box schemes. The two largest box schemes in the UK account for over £100m

Produce – key businesses

Produceworld – root veg

Organic Farm Foods – top fruit and exotics

Fyffes – organic bananas

Wight salads – tomatoes

Vitacress – salad

Worldwide Fruit – top fruit

Fresca Group

Gs Fresh – salads

Riverford – box scheme

Abel & Cole – box scheme



Grocery – Estimated market size £350m

This sector has achieved the highest growth in 2015, at approximately +7%, outperforming other categories. The trend towards 'scratch cooking, home baking, and healthy eating' have heightened interest and revitalised this traditional part of the store. Virtually all organic sub categories within Grocery have seen excellent growth in 2015. There are many emerging new brands within the highest growing segments who are showcasing their products through online retailers such as Ocado and Amazon. Key brands are listed below:

Pasta & Rice(Kallo, Suma, Seeds of Change, Tarantella)
Pulses, Tomatoes and Sauces(Seeds of Change, Biona,Suma, Mr Organic),
Chocolate(Green & Blacks, Montezumos, Booja Booja,),
Teas & Coffee(Clipper, Pukka, Cafedirect, Equal Exchange, London Tea Shop, Twinings),
Herbs & Spices(Barts, Sanchi),
Jams & Honey(Rowse, Duchy, Duerrs),
Biscuits & Crackers(Duchy, Doves Farm, Nairns, Kallo,Island Bakery)
Cereals & Porridge(Alara, Nature Valley, Lizi's, Balchedre Mill, Jordans, Dorset Cereals, Rude Health)
Olive Oils(Organico, Own brands)
Soft Drinks(Rocks,Luscombe, Pip Organic, Berrywhite)
Coconut oils/butters(Meridian, Biona)
Dried Fruit/Nuts (Crazy Jacks)

Many of these brands are appealing to the younger 'food-loving' consumer and their approach to marketing and social media is well placed to retain loyal followings.

In sectors such as Biscuits and Cereals, there is a really strong move to 'gluten-free' options and many of the organic brands already provide this benefit. The key attributes work well together and both convey complimentary health messages. Given the growth of the 'specialist diet' market, this expands the opportunity for organic products and innovation is sure to speed up in this sector to fulfil the rising demand.

Raw food is the latest trend which has reached both the grocery and chilled convenience markets. As an example, Planet Organic have a credible range of approximately 400 products from raw cereals to nuts, seeds, chocolate and superfoods, many within their own brand range. The typical young, health conscious consumer is now choosing raw food within their overall shop

Chocolate is still the largest sector within Grocery, with approximately £50m market, followed by Home baking (+8.5% growth) and Tea(+12.8% growth). All of these product categories have had exceptional growth in 2015 as too have cereals(+5.6%), jams and spreads(+28.1%), and oils and vinegar(+17.5%). These categories still offer more opportunity for organic innovation and expansion.

Meat, Fish & Poultry – Estimated market size £ 180m

This category is very high profile for organic foods given the focus on animal welfare and how it affects consumer choice. It is relatively simple for consumers to understand how better animal welfare is guaranteed on organic products. However the sector has had mixed fortunes during 2013-15 with volatile demand and supply. It would appear that organic performed better, post Horsegate during 2014, however by end of the year, the larger meat producers cautiously held back on supply of organic trying not to flood the market, thereby preventing potential oversupply which would have led to some downgrading to non-organic pricing. In turn, this constraint, would appear to have stifled consumer uptake, creating major declines in sales within all the red meat sectors.

At same time, the main retailers have also been consolidating ranges within the primary protein sectors and organic products have been delisted or distribution cut back, remaining with a core range of basic choice on mince, steak, chops. There seems to have been a knock-on impact on organic listings for sausage/bacon as there is also less choice available in supermarkets.

Independent producers such as Eversfield, Well Hung Meat, Rhug Estate and Daylesford Organic are driving growth through the independent retail and online channel where shoppers are less focused on price and more interested in the quality and provenance of the meat.

A similar position was taken on organic poultry in 2012-14 though the market has been really strong for the last 2 years even with a reduced range. Growth in double digit figures has taken the organic chicken sector to approximately £60m, bigger than the beef sector. This is a remarkable success given that the price premium on shelf for organic chicken can be often twice the price of non-organic equivalents. Also it is a category that is difficult to shop, given the many tiers of animal welfare products which exist. As a case study, it proves that there is a loyal following of customers who value both the better quality of organic poultry and the additional animal welfare benefits. Hopefully a similar improvement will occur within Meat once the new reduced ranges settle down.

Vegetarian and Chilled Organic Food – Estimated market size £45m

Traditionally this has been less of a priority for the organic industry as the challenges of maintaining short life chilled product in a premium sector can be difficult to manage. However the category has been steadily growing, led by vegetarian chilled brands such as Quorn and Cauldron and supported through sub sectors such as organic soup, dips and sauces.

Many vegetarian consumers are also looking for organically certified products, it is a perfect combination to suit their 'specialist diet choices'. Vegetarians are well informed about food, its sourcing, labelling and components and organic is frequently on their 'tick list'.

As this market has grown by over £10m during the 2013-15 period ,it offers great potential for new products which are bringing true innovation and good quality. However the challenge of managing waste could be a 'show-stopper' for supermarkets, as the overall customer base is still quite small and more accustomed to shopping for specialist products in independent stores.

Beers, Wines & Spirits –Estimated market size £32m

The fastest growing part of this category is the 'artisan and craft beer' segment, which has exploded over the last few years. Most well-known brands have either an organic option or organic ranges which now account for approximately £12m market, similar in size to the organic wine market.

Organic is usually a secondary reason for consumers choosing product in this area, however it often reinforces the brand credibility and reputation.

Retailers appear to be open to new brands of beer although it is a highly competitive market with many larger brands investing lots of money on promotions and shelf impact.



Bakery – Estimated market size £ 26m

The organic bakery sector has declined severely since the initial recessionary dip in 2009. As many artisan bakers are using organic ingredients without necessarily getting certified organic, consumers are buying into quality and hand craftsmanship of the products rather than being committed to the sourcing of the ingredients.

Within the supermarket sector the ranges are minimal, with a basic white and wholemeal sliced loaf and little else on offer. The Duchy from Waitrose brand offers some alternatives within morning goods, however as the organic consumer is not shopping the fixture regularly, there is little chance of this expanding.

One future area of interest may be in organic gluten-free bakery products, as the trend towards specialist products for particular diets takes hold.



Frozen – Estimated market size £ 14m

With several well-known organic ice-cream brands such as Yeo Valley, Green & Blacks and Duchy, this segment has had better results during 2014-15. It is a small market, at approximately £14m but with indulgence still a rising trend in the UK, there is a place for quirkier brands and flavours. The key organic brands already appear to be innovating with flavours and maintaining interest through the loyal customer base.

Other than ice-cream, there are a few organic frozen veg lines available within own-brand ranges at key supermarkets

Babyfood – Estimated market size £170m

The fast growth that was achieved for this sector from 2010-2013 has not been maintained at such high levels. In particular, Ella's Kitchen brand had been launched during that period with new packaging formats, and new recipes. The market has been somewhat static since 2013 with growth driven through an increasing birth rate and ongoing promotions.

It is a £140m category however and has great loyalty among young parents accounting for almost 60% of the wet baby food sold in the UK.

There are a number of successful well-known brands which are keeping interest in the sector, such as Organix, Plum Baby, Hipp and Ella's.

Several smaller brands of frozen organic baby food have grown during the last few years and are finding listings within the independent stores where it is easier to deal with the operational challenge of having baby food in freezers.

Pricing & Promotions

Organic products sit clearly within the premium food and drink sector, commanding a higher retail price. There is no fixed rule as to what this price premium is across the sectors and surveys show that the price premium can be anywhere from 1-2% right up to over 100%.

The price differential is low in those categories where a higher volume of organic is sold such as baby food and yoghurts. On fresh food areas such as chicken, eggs and red meat, the premium is much higher. Clearly the cost of production in the agri-based product areas is inflating the price significantly due to the cost of lower stocking densities, higher feed prices and lower yields. Loyal customers do understand the need for higher prices on organically farmed products to cover the additional costs. Previous studies have shown that customers are prepared to pay approximately 20% extra as a premium for organic (Source: Soil Association consumer studies).

There is no established rule for pricing organic but it is frequently the top-tier pricing for a category. Currently, while the UK market is undergoing a prolonged period of deflation, the opportunity to range organic as a 'trade up' option is looking favourable. Buyers are struggling to maintain growth in their categories, so it is a positive time to discuss premium products which are guaranteed to sell.

In a recent Organic Trade Board 'Usage & Attitude Study', price was cited as the biggest obstacle to purchasing organic products. However this was only a barrier for 52% of respondents. Lack of availability of product on shelf and range/ choice was a barrier for 18% of respondents.

Price differentials for organic v non-organic product are increasing and this is a real threat to maintaining loyalty. The price wars are ramping up across all retailers, testing consumer commitment to organic. For example the price of 1kg of carrots is 60p versus £1 for 750g organic carrots ie 120% premium – the price differential was approximately 25% a year ago.

The discounters, although with small ranges of organic, are selling at a 25% discount – there is a long term possibility that this will bring overall organic market prices down.

Sample Price Differential (Sainsburys Feb 2016)

Product	Organic Price	Non Organic Price	% difference
Bananas per kg	1.20	0.85	41%
Milk 4 pints semi	1.85	1.00	85%
Eggs Med x 6	1.90	1.15	65%
Tomatoes Plum 225g	1.80	0.90 (250g)	122%
Tea own brand 80s	1.75	1.50	16%
Mince own brand 500g	4.00	3.70	8%

Promotions

The pressure of price wars has begun to impact organic pricing as well. Although promotional participation is at a low level for the organic category, some of the key commodity areas are now having to offer discounts to compete.

In the branded areas of grocery and dairy, organic products are running price promotions as often as their non-organic equivalents

The key time of year for a focus on organic price and promotions in the UK is September when the Soil Association lead a campaign to raise awareness of organic through all retail outlets. Traditionally all of the main supermarkets have a large number of promotional offers across store – this may be a cross-category discount offer or promotions through loyalty discounts.

Marketing

During the last few years, there has been very little specific advertising of organic brands and no major branded 'above-the-line' campaigns. The better known brands such as Yeo Valley, Green & Blacks and Clipper continue to market through glossy food magazines including retailer magazines.

The Organic Trade Board is coming to the end of an EU part-funded campaign which runs from 2013-16. Approximately 80 companies selling organic products in the UK have come together with funding for this campaign and gained match-funding through an EU fund. This was the second set of funding from the EU following the first campaign from 2010-13. The 'Organic. Naturally Different' campaign focused consumers on the differences between organic and non-organic in a light-hearted way. A large percentage of the budget was spent on billboard advertising in London tube and suburban train stations, targeted at the younger urban customer.



This advertising was supported through targeted adverts on the multiple retailers' online shopping websites. Within specific categories, the adverts were positioned to disrupt the shopper and influence their choice to buy an organic option. The results of this very focused approach were reported to have increased sales significantly.

It is anticipated that there will be another EU part - funded campaign commencing in 2017 which again will be funded by circa 80 UK companies selling organic and part-funded by the EU.

Details of the campaign are available on the website <http://www.organicukfood.com/>

Press/PR

The UK media have been very supportive of positive organic stories since the market has returned to growth. From time to time, the press do reference organic as being the choice of the more affluent and 'upper class' shoppers, however this myth is dying and there is much more focus on the benefits of organic in recent coverage.

Soil Association lead many of the stories about organic in the UK and raise the profile of the broad choice of brands and products which are certified by them.

Most recently, there has been a constant stream of good news stories initiated by the publication of new scientific research on the nutritional benefits of organic meat and dairy in the British Journal of Nutrition in February 2016. Studies by Carlo Liefert and his team at Newcastle University proved that organic production methods do affect the quality of the food produced: both organic meat and milk (dairy) were shown to have more desirable omega 3 fatty acids, around 50% more when compared to conventional products. This was shown to be due to the fact that organic animals eat a more natural grass based diet including clover.

All of the main daily papers in the UK covered this 'ground-breaking' research

Why eating organic is healthier as well as kinder to animals



Amy Willis for Metro.co.uk Tuesday 16 Feb 2016 10:44 am

The output of the research is available at

<http://www.ncl.ac.uk/press/news/2016/02/organicandnon-organicmilkandmeat/>

Events

There are a number of events in the UK where organic is showcased among both multiple retail and independent retail buyers

Natural & Organic Products Europe at Excel, London takes place in April and is the largest and most specifically targeted to organics. This is an annual show, bringing together the key organic, natural and specialist diet brands selling in the UK. Visitors are mainly independent retailers, buyers, industry experts and overseas buyers.

The **Speciality Fine Food Fair** takes place in September at Olympia, London and is a more general premium food exhibition (where Bord Bia have an Irish pavilion).

Farmshop & Deli Show takes place in April and is a trade event attended by independent retailers across all categories such as butchers, bakers, cheesemongers, farm shops, greengrocers and local stores. It is more suited to agricultural based products or brands with a speciality/fine food bias. (The event coincides with Food and Drink Expo in Birmingham's NEC).

Awards

Soil Association BOOMs run annually. There is a link on their website for more information <http://www.soilassociation.org/awards/boomawards>

These awards provide an excellent platform for gaining profile within the UK market

Great Taste Awards are well recognised within the UK and can act as a good influence with buyers. There is no specific organic category. <http://greattasteawards.co.uk/>

Publications

There are various magazines which highlight the latest new products and trends within the organic, natural and fine food arena. It could be useful to sign up for circulation.

Natural Products online www.naturalproductsonline.co.uk

Fine Food Digest <https://gff.co.uk/publications/fine-food-digest/>

Speciality Food Magazine www.specialityfoodmagazine.com

The Grocer www.thegrocer.co.uk

Organic Retailers and Wholesalers - Profiles

This section summarises the main data and strategies for the multiple retailers, independent retailers and wholesalers for organic in the UK. It gives contact details, key points on overall strategy for the larger retailers and a short summary on the approach to retailing organic within each business.

Retailers - Large

- | | |
|-----------------------|-----------------------|
| 1. Sainsburys | 8. Aldi |
| 2. Tesco | 9. Lidl |
| 3. Waitrose | 10. Amazon Online |
| 4. Ocado Online | 11. Costco |
| 5. Marks and Spencers | 12. Holland & Barrett |
| 6. Asda | 13. Nutricentre |
| 7. Morrisons | |

Retailers – Smaller Chains & Box Schemes

1. Riverford box scheme
2. Abel & Cole box scheme
3. Planet Organic
4. As Nature Intended
5. Daylesford
6. Wholefoods

Wholesalers

1. Essential Trading
2. Queenswood
3. Infinity
4. Community foods
5. Marigold
6. Tree of Life
7. The Health Store
8. CLF
9. Catering wholesalers
 - a. Bidvest
 - b. Brakes
 - c. NCB
 - d. Blakemore

Sainsbury's

J Sainsbury plc,
33 Holborn,
London, EC1N 2HT
Tel: 0044 (0) 207 695 6000
www.sainsburys.co.uk

ORGANISATIONAL OVERVIEW

Domestic Market: United Kingdom

UK Revenue 2014: £26.1bn

No. of Formats: 3

Operating Countries: 1

No. of Stores: 1,203

Sales area: 2,160,000 sq. m

Sainsbury's Mission

'We will make customers' lives easier, offering great quality and service at fair prices, serving our customers whenever and wherever they want'

Key Messages for Suppliers Strategy

Sainsbury's has indicated that it is particularly keen to work with suppliers that:

- Deliver quality leading product standards at highly competitive prices
- Share its commitment to high ethical standards with industry leading standards in animal welfare, marine conservation, and environmental responsibility
- Respect their strong heritage in food and develop products that help to further differentiate it from competitors

Private Label

- Private label development is a major focus and the company is keen to engage with suppliers who share its desire to provide superior quality products at prices 20% lower than equivalent brands
- Opportunities exist across its private label ranges to support Sainsbury's 'Great Food' agenda
- As its presence builds across new channels, and in particular in convenience, new private label sub-brands could create opportunities

Pricing

- Maintain and develop its price competitiveness, and work with suppliers to drive volumes
- Sainsbury's wide ranging promotional strategy provides opportunities for suppliers to drive sales, particularly through meal deals, till coupons and event-based campaigns
- Brand Match presents opportunities to suppliers for stronger in-store promotion of their brands
- Nectar offers scope for many suppliers to drive sales, and can also provide a route to engage with Sainsbury's on more innovative promotions
- Sainsbury's is keen to work with suppliers on high impact promotions

Promotions

- While multi-buy deals remain a key part of Sainsbury's promotional mix, there is now increasing focus on a range of alternative mechanics including coupons, fuel discounts, and Nectar point promotions to communicate continuing value and stimulate store visits

Store Formats

- Sainsbury's is committed to expanding the scale of its physical presence through a combination of supermarket openings and extensions, new convenience stores, and further investment in its multichannel operations

Online

- Sainsbury's views online development as central to its objective of reaching more customers through additional channels. The key priority is to maintain the growth in the business by encouraging more regular online shopping and broadening the shopper base further, which Sainsbury's will support through further capital investment

Organic at Sainsburys

Sainsburys is the clear leader of market share for organic at 29%. In part, this is due to the decade of success for their SO Organic brand, which offers own brand choice in most categories and compliments a good selection of organic brands. So Organic was launched over 10 years ago as the first own brand organic range and it still maintains a high level of loyalty among its customer base - the design has not changed during this time period.



The So Organic range is approximately 300 products covering Meat & Poultry, Produce and a select range of Grocery lines which are complimented by a further 400 branded organic products, mainly in the Dairy and Grocery sectors. Sales are over £200m and all stores provide at least a core range of 100 products.

With the changing landscape of retail in the UK, and the advance of the discounters, Sainsburys has been rationalising its overall range count and although this has not significantly affected organic except within the meat fixture, it is likely to do so in the future

The opportunity for organic line listings in store are minimal. Online does give an additional opportunity but at this stage, Sainsburys is unable to extend its own line catalogue beyond those products available in stores.

There is significant potential for Sainsburys to range organic to more of their convenience stores given that organic is appealing to a new group of customers ie millennials, who are known to shop for 'food to go' and organic products

Although Sainsburys have not staged any major campaigns for organic, they do have an ongoing offer programme, both on shelf discounts and nectar point coupons to maintain loyalty to organic

Sainsburys has a 'specialist diet/free from' fixture which may provide opportunity for relevant organic brands

Total Organic Range Count(2014 Soil Association organic report)

709 lines



Tesco Head Office (UK & International),
New Tesco House,
Delamare Road,
Cheshunt,
Waltham Cross,
Hertfordshire.
EN8 9SL
Tel: 0044 (0) 1992 632 222
www.tesco.com

ORGANISATIONAL OVERVIEW

Domestic Market: United Kingdom	UK Revenue 2014/15: £43.6bn
No. of Formats: 5	Operating Countries: 12
No. of Stores: 3,378	Sales area: 3,885,484 sq. m

Tesco's Mission:
'We make what matters better, together'

Key Messages for Suppliers Strategy

- UK's largest and the world's third largest grocery retailer, with operations in 12 countries spanning Asia and Europe
- Core purpose is 'We make what matters better, together' - based on the ethos of "no-one tries harder for customers" and guided by a philosophy to "treat everyone how we like to be treated" and to "use our scale for good".

Private Label

- Strong private label strategy stretching from Everyday Value, through Discount brands and the core Tesco brand through to Finest and Venture brands
- Tesco operates a range of niche brands targeting specific customer groups or demands. Key lines include Organics, Healthy Living, Kids, Free From and Healthier Choices in food

Pricing & Promotion

- Tesco uses its scale advantages to pursue a volume-led strategy in which profit from sales is rolled back into the business in order to reduce operating costs, improve the offer to customers and cut prices
- Tesco's EDLP platform remains central to the retailer's value proposition and Tesco is increasingly embracing a variety of innovative promotional mechanics to deliver value for its shoppers
- Clubcard remains a key driver of Tesco's promotional strategy, with Clubcard Rewards used to drive customer loyalty.
- Price Promise, its coupon at till system which refunds the difference on shopping baskets that would be cheaper at Asda, Sainsbury's and Morrisons, demonstrates its continuing focus on delivering value for its shoppers

Store Formats

- Operates a multi-format strategy in the markets which it operates.

- Hypermarket, supermarket and convenience formats maximise market share by delivering solutions for a variety of customers and shopping missions.
- Suppliers that can adapt their offer to maximise the opportunities presented by specific formats are best placed to grow their business with Tesco.

Online

- Online operations will become much more important as Tesco aim to broaden its product and service offer, invest in new capacity, expand online internationally and makes its service more convenient to customers
- Suppliers need to ensure they have the right structures in place, with the right mix of skills, knowledge and experience, to process the increasing proportion of their business with Tesco that will be via Tesco.com
- As more orders are fulfilled through dotcom only stores, Tesco will be able to offer a broader product offer customised around the preferences of online shoppers. This shift could present opportunities for suppliers to sell a more extensive range of products, particularly organic suppliers.

Organic at Tesco



Since the organic boom in early 2000s, Tesco have been striving to keep up with Sainsburys' growth in organics. They are now achieving a 26% share which is slightly less than Sainsburys despite Tesco having more stores.

Tesco don't have such a 'stand-out' own brand organic range and concentrate more of their attention on ensuring that the organic fruit and vegetable section is as comprehensive as possible. Unfortunately the wide organic choice in produce is not complimented by such broad organic choice across the store and customers notice this.

However as with other multiple retailers, Tesco are very aware of the premium value of their organic shoppers who spend much more than the average shopper, up to 3 times the basket size. This clearly is a big incentive to retain these shoppers and to encourage them to buy more of their overall basket at Tesco.

Tesco are supportive of organic brands and like Sainsburys, they have adequate ranges in Dairy and some sectors of Grocery such as pulses, pasta, tinned tomatoes. However there is no holistic approach to ranging organic, the decision is left up to individual buyers. This does mean that organic products have to be pitched alongside non organic and this can be a challenge given that organic is still a niche market at 1.4% of the total. The organic product needs to have other USPs alongside organic status and be truly innovative.

On a positive note, Tesco appointed an Organic Brand manager in middle of 2015, so the importance of organic may well increase within their business once they have re- evaluated their current position

Total organic range count(2014 Soil Association Organic Report)

742 lines



Waitrose Limited,
Doncastle Road,
Southern Industrial Estate, Bracknell,
Berkshire, RG12 8YA
Tel: 0044 (0) 1344 424 680
www.waitrose.co.uk

ORGANISATIONAL OVERVIEW

Domestic Market: United Kingdom	UK Revenue 2015: £6.5m
No. of Formats: 3	Operating Countries: 3
No. of Stores: 350	Sales area: 563,893 sq. m

Waitrose Mission

Waitrose is part of the John Lewis Partnership and 'aims to deal honestly with its customers and secure their loyalty and trust by providing outstanding choice, value and service'

Key Messages for Suppliers Strategy

- Combines convenience of supermarket with the expertise of a specialist shop providing premium food products and broad choice
- Partnership structure results in a very high level of staff commitment
- Demonstrates value through Price Commitment, Brand Price Match and promotions
- Make shopping easier through online ordering, a carry to car service, checkout packing and facilities for disabled people

Private Label

- High quality private label offer, differentiates from competitors and enhances customer loyalty
- Does not operate a conventional good, better, best architecture, preferring instead to offer an array of own brand ranges targeted at distinct needs and occasions
- Premium own brand ranges provide the retailer with a unique point of difference
- Generates over £100m of sales from the sale of own brand products through sourcing agreements with third party retailers in 25 countries

Pricing

- Sharpened its pricing and introduced more compelling and frequent promotions
- Waitrose's Brand Price Match acts as a beacon of value to shoppers across a range of everyday products
- The expansion of Waitrose's store network into mixed affluence areas necessitates focus on price

Promotions

- A commitment to excellence in food quality and customer service underpins the Waitrose customer proposition
- The use of Heston Blumenthal as a brand ambassador supports food quality credentials
- MyWaitrose card is an increasingly important driver of loyalty and a source of shopper data
- Digital engagement is a key area of focus for Waitrose as it seeks to be a market leader in this field following the launch of waitrose.com and Waitrose TV

Store Formats

- Extend its reach with both large and small format stores
- Ambition to double sales to £10bn by 2020, requires a step change in the scale of its estate
- Convenience represents an opportunity to establish a presence in catchments that could not support a full size supermarket.
- A target of 300 convenience stores by 2024, if realised, would make Waitrose a key player in the convenience sector
- Keen to build its online scale now that the constraints of its no compete agreement with Ocado have been lifted and its website has been re-launched
- Having become more flexible about formats, Waitrose will be able to accelerate its store

Organic at Waitrose



Waitrose are the 3rd largest supermarket for organic food, with approximately 23% share of the UK organic market. They sell approximately 1500 lines, the highest within any supermarket and the basis for achieving the high organic share when compared to their share of the overall grocery market which sits at approximately 5%.

Their most notable brand is the Waitrose sub-brand 'Duchy from Waitrose' with over 500 products ranging from shortbread, to beer and cheese to vegetables. This flagship brand is built on the principles of good food, good farming and good causes: a percentage of turnover is donated to the Princes Trust charities. Waitrose re-launched the Duchy range over the course of 2015 to give it a more 'everyday appeal': previously it had a super-premium image which potentially 'turned off' mainstream customers whereas the new design has a more mid-tier customer appeal. Early results seem to be working well for the brand. The Duchy range stipulates Soil Association certification for all products.

Alongside Duchy choice, Waitrose sell the most branded organic lines of all supermarkets accounting for almost 65% of the organic range. The Waitrose customer tends to be more affluent, older and have a strong appreciation of food seeking out both innovative products and quality food products which may not be available in other supermarkets.

They focus strongly on Fresh foods and take pride in having the most comprehensive ranges of organic choice in organic meat, fish and poultry. Their organic Produce range sits in its own dedicated bay within the fruit and vegetable section in store, making it more accessible for customers. Shelf edge labels identify organic products clearly.

Waitrose are traditionally a more Southern UK based retailer which is heartland for organic consumers, giving them a good basis to maximise sales of the Duchy range. They appear to be more open to listing new brands and are not focused on rationalising ranges like other supermarkets. Although they are not formally linked to Ocado, it is often easier to gain a branded listing if the product is selling well at Ocado in the first instance. Cost prices are shared between the two businesses.

Within the produce fixture, Waitrose display all organic products together. However in the rest of the store, they sit alongside non organic by category.

Waitrose run a concentrated campaign on organic during Organic September, a month long campaign lead by Soil Association – promoting the benefits of organic food and drink

Total Organic Range Count (Soil Association Report 2014)

778 lines



Ocado,
Titan Court,
3 Bishop Square,
Hatfield Business Park,
Hatfield,
AL10 9NE, UK
Tel: 00(44) 01707 227800
www.ocado.com

ORGANISATIONAL OVERVIEW

Domestic Market: UK

UK Sales 2014: £948.9m

UK Profit 2014: £7m

Formats: Exclusively online

Operating Countries: 1

No. Fulfilment centers: 4 customer fulfilment centers, 15 spoke regional fulfilment centers

Ocado's Mission

'To revolutionize the way people shop forever, by giving them a uniquely innovative and greener alternative to traditional grocery shopping'

Corporate Strategy

Ocado was founded in 2002 and is currently the UK's only exclusive online supermarket and the largest such operator in the world.

It delivers an average 18,000 orders per day and its geographical reach extends to 70% of British households. Ocado's range now includes over 43,000 SKUs and the retailer is committed to expanding this further. In 2014, Ocado's customer's average basket stood at £112.25 (2013: £113.53).

The Irish Shop

Ocado has an Irish shop and the sales for the 24 week period from 1st December 2014 to 17th May 2015 are £1.3m, which is +24.7% up on the same period last year. Ocado's overall performance during the same period was +16%. This is being driven by an additional 8,000 new shoppers using Ocado per week, mainly switching from Sainsbury's. Overall numbers of Irish shop customers have increased 20.5%, frequency of purchase is +1.2% and spend per visit in the Irish shop is +7.5% to £3.06.

Key Messages for Suppliers Strategy

- Ocado is the largest online only grocery operator in the UK and number 2 in size behind Tesco.
- It is a purely online operation and delivers an average of 18,00 orders per day and its geographical reach extends to 70% of British households
- The Ocado offer consists mainly of grocery lines, which includes a branded offer as well as its key big brands. It also sells a number of Waitrose products including all of the Duchy range.

- It has number of specialized store branches on its website, including geographical stores for example: The Irish shop which only sells Irish produce as well as a dedicated Pet store (Fetch).

Private Label

- Ocado continues to grow its private label range as it is expected to sever ties with Waitrose by 2020.
- Ranges and products can vary significantly by market to take into account local demand
- Ocado has ambitions in its future for organic private label

Pricing and Promotion

- Ocado uses a 'Low Price Promise' pricing proposition which offers an automatic refund if branded products or an own label equivalent can be bought cheaper on Tesco.com.

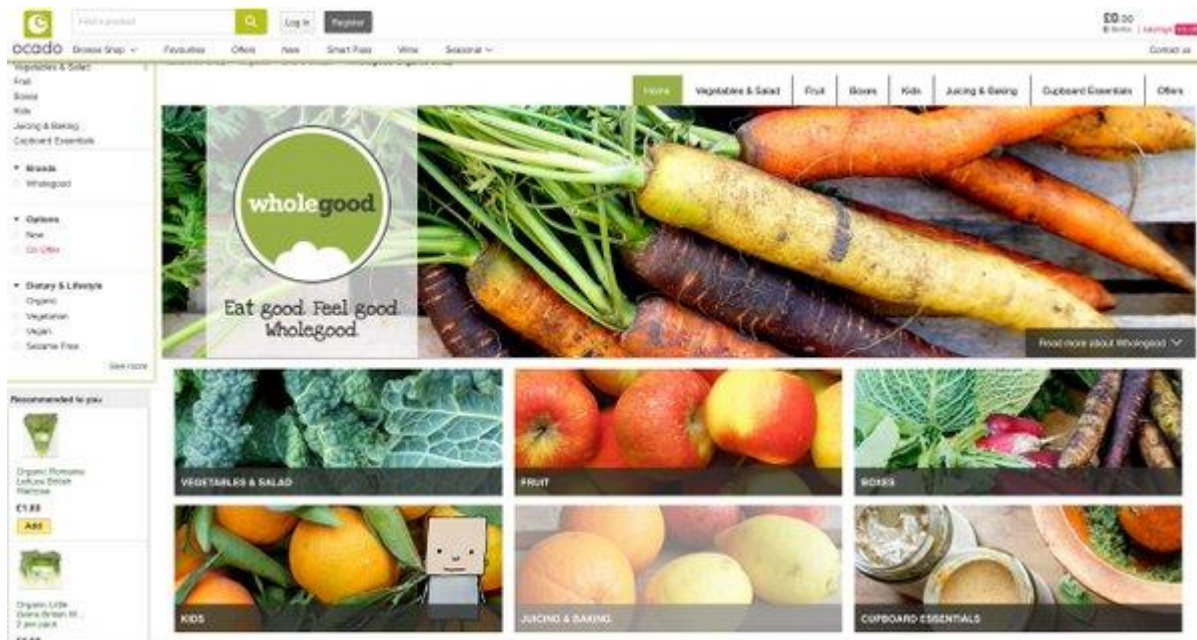
Organic at Ocado



Ocado offer the most extensive range of organic products online in the UK with almost 3,500 lines. They are now well established as the leading choice for home delivery of organic food, drink and non-food and they are also the 3rd largest online food retailer in the UK with an estimated turnover on organic of £90m.

Despite their overall grocery market share at approximately 1%, they have approximately 7% share of the organic market and are a destination shop for organic. Informed customers who are loyal to key organic brands know that they will be available through Ocado, particularly if not available elsewhere. They also know that Ocado will stock many new and innovative organic products with a continually expanding range.

Whereas the original Ocado customer base tended to be more affluent, southern UK based, Ocado have achieved good success in building their network to attract middle market customers on a national scale. London and South East now account for only 52% of their customer base and 43% of customers have a salary under £40K. This bodes well for expanding the credibility of their organic offer



Ocado have been developing their own brand of Organic, called Wholegood and now have approximately 50 lines in this range: they continue to sell the complete range of Waitrose Duchy Organic products under contract complimented with a wide variety of branded products. Recently they have expanded their 'shop within shop' approach with the addition of an 'Eversfield Organic Shop' which focuses on organic meat and a 'Roots & Wings Organic Shop' focusing on speciality food and non-food. These additions compliment the already successful 'Daylesford Organic' brand which is now a significant part of their organic range.

As an online operator, Ocado have a simple model – they order from suppliers what customers order from them. This maintains a level of approximately 0.6% waste versus an average of 4% across 'bricks and mortar' retailers.

They currently have 2 fulfilment centres, one in Hatfield circa 20 miles north of London and one in Dordon, in Warwickshire, Midlands. Supplier deliveries are made to these two centres and then shipped out to 16 regional 'spokes'. A further two will come on stream during 2016

Ocado is a very good starting point for brands wanting to enter the UK. There is already an Irish 'shop in shop' at Ocado with an established customer base which could act as a good springboard for securing organic product listings – there is a cost to entry.

Selling brands from an online shop window is challenging, however there are opportunities to promote and to ensure that customers are made aware of new products through promotional mechanics, promotional monies needs to be set aside to support brand listings.

Total organic range count (Soil Association market report 2015)

3344 lines



Marks & Spencer Group plc,
Waterside House,
35 North Wharf Road,
London,
W2 1NW
Tel: 0044 (0) 207 935 4422
www.marksandspencer.com

ORGANISATIONAL OVERVIEW

Domestic Market: United Kingdom

UK Food Revenue 2015: £5.2bn

UK Total Revenue 2015: £10.3bn

No. of Formats: 4

Operating Countries: 54

No. of Stores: 852

Sales area: 2,286,515sq m

Marks and Spencer's Mission

'To make aspirational quality available to all'

Key Messages for Suppliers Strategy

- The majority of future growth will be achieved by extending UK models of operation to new markets overseas
- All activity must match with and complement the goals set out in the sustainability plan
- Supplier activity will be held to the same standards and subject to the same scrutiny as that of M&S

Private Label

- Private label is central to the M&S identity, with both grocery and GM playing a role and M&S played a role in making private label groceries equal to brands in terms of quality
- M&S has not chosen to offer a full "good-better-best" price architecture, although this need not be a weakness, given that it does not aim to offer a full grocery shop
- The decision to implement the Plan A sustainability policy makes M&S private label range one of the first to combine both quality and rigorously sustainable attributes

Pricing and Promotion

- In grocery and GM, M&S sets out to be competitive and "appropriate", rather than cheap, the emphasis is on appropriate and realistic pricing on unique lines
- Promotional activity forms part of a "case" for shoppers to visit M&S but it is not part of the M&S brand

Store Formats

- To meet changing customer needs, M&S is developing a modern, coherent, multi-channel approach to retailing in the UK, with the eventual aim of rolling this out internationally
- Stores are seen as a key means of delivering and showcasing the company's sustainability programme

Online

- Online is a major growth channel for general merchandise and food with food sold through the channel on special occasions
- M&S is aiming to create a seamless real-world online transactional environment and therefore any marketing activity should ideally also work across multiple channels

Organic at Marks & Spencer



Many UK organic industry onlookers, comment that organic should be a much more important part of Marks and Spencers strategy. Up until 2010, M & S did use organic as a differentiator and it was available in many of their everyday sectors, such as chocolate, pulses, as well as on the main fresh food categories

However, as they are a predominantly convenience food- based retailer, they range edited many organic lines in 2010 and now restrict their organic range to the main categories for 'scratch cooks' ie meat, poultry, vegetables, milk, cheese. They provide a simple range, and under-trade significantly as a consequence.

Overall range count is estimated at 50 lines

There is little opportunity for organic brands unless well-known consumer favourites.

Estimated range count January 2016

50 lines



Hilmore House
Gain Lane
Bradford
BD3 7DL
Tel: 0044 (0) 85611 5000
www.morrisons.co.uk

ORGANISATIONAL OVERVIEW

Domestic Market: United Kingdom

UK Revenue 2014: £16.8bn

No. of Formats: 2

Operating Countries: 1

No. of Stores: 667

Sales area: 1,369,544 sq. m

Morrisons Mission

'To be the consumer's first choice for food, delivering products of outstanding quality and great service at a competitive cost through working faster, simpler and together'

Key Messages for Suppliers Strategy

- 'Different and Better than Ever', Morrisons aims to achieve this by leveraging its key strengths such as craft skills, customer service, vertical integration and in-store production
- Staying focused on food, building the in-store customer experience, prioritising value, strengthening customer service, developing a general merchandise offer online and becoming a multi-format, multi-channel retailer
- Two areas of strategic focus, driving topline sales and range developments, increasing efficiency and capturing growth, not least through developments online and in convenience
- Focus on 'core business', its supermarket formats

Private Label

- Own brand is a major pillar of Morrisons brand pledge of "Friendly people making great food affordable for everyone"
- Re-launched private label offer during 2012-14
- The new own brand ranges do not adhere to established good, better, best architecture but are grouped around customer needs
- Key ranges include M Kitchen (convenience) M savers (value) NuMe (healthy eating) M Signature (premium), M Organic

Pricing

- Combines key elements of both EDLP (everyday low prices) and 'Hi/Lo' (a strong promotional offer)
- Uses a broad range of promotional mechanics to engage shoppers that stretch from round pound deals, fuel promotions and BOGOFs to innovative promotions such as win free shopping

Promotions

- Value is key to a large proportion of Morrisons shoppers and there are opportunities to drive promotions strongly through engagement with the retailer

Store Formats

- Supermarkets are the core Morrisons format
- Following its 'space lab' and 'fresh lab' trials has begun to rollout of its new Fresh Format with a stronger focus on fresh food, reworked market street offer and clear retail theatre
- Expect to have over 200 stores to have adopted the Fresh Format concept, representing over 55% of total sales
- Continue to look at potential solutions for the convenience sector

Online

- Identify online as the most appropriate platform for building general merchandise and is committed to launching in categories with relevance to its customers
- Uses Ocado technology for online deliveries

Organic at Morrisons



Morrisons as a predominantly Northern retailer with a handful of stores in southern England have a small everyday range of organic products, with approximately 150 own brand lines complimented by many brands, particularly in the 'free from' sector.

They have a clear identity for their retail brand range, which was re-launched in 2013/14 to appeal to a more mainstream organic customer. M Organic is available in all the everyday food categories from tea and biscuits, to bacon, milk, carrots etc.

Morrisons under-trade significantly on organic, partly due to lack of range but also to the lack of corporate focus on the sector. Their customers are extremely price conscious and the perceived price of organic is the most challenging barrier to sales.

There are some opportunities for organic brands, namely in the Special Diet/Free From sector

Total organic range count (Soil Association market report 2014)

235 lines



Asda Group Ltd,
Asda House,
Southbank,
Great Wilson Street,
Leeds
LS11 5AD
Tel: 0044 (0) 01132 435 435
www.asda.co.uk

ORGANISATIONAL OVERVIEW

Domestic Market: UK

UK Revenue 2014: £23.4bn

No. of Formats: 4

Operating Countries: 2

No. of Stores: 646

Sales area: 1.96sqm

Asda's Mission

'To be Britain's best retailer exceeding customer needs everyday'

Key Messages for Suppliers Strategy

- EDLP is the bedrock of its competitive positioning within the market and through the Asda Price Guarantee (APG) it seeks to reinforce an already strong price perception

Private Label

- The relaunch of Asda's private label ranges and extension into new products and categories represents a significant move by the retailer to enhance the role of private label in a market where competitors are also investing in private label, creating opportunity for suppliers
- There is a need for renewed focus on product development and unique range innovation, for private label and branded suppliers alike
- Asda has exclusivity to some branded products which motivates consumers to shop at their stores

Pricing

- Suppliers need to constantly assess their sourcing policy and supply chain structure to ensure the best value is achieved and that **Asda's 'Buy for Less' policy** is integrated into their own sourcing strategies.

Promotions

- An innovative approach to developing events and promotions will be essential to Asda. The call is for suppliers to think 'outside the box', applying new ideas to a category or proposing cross-category activity, but always ensuring that entry, execution, excitement and exit are clearly thought through and communicated

Store Formats

- Asda will continue to work on its core business, its supermarkets in the immediate future.
- The majority of the portfolio is made up from the supermarket/superstore format, which accounts for an estimated 83% of sales

- Asda has said that a significant proportion of shoppers don't feel they have access to an Asda, providing interesting opportunities for growth, particularly in the south

Online

- Asda aims to become a world class dotcom business. The retailer now offers nationwide coverage for both food and non-food online
- Free WiFi in all stores and a redesigned homepage will help drive innovation and customer engagement and create a more seamless online experience
- Digital will be a key growth channel in all categories going forward with mobile access increasingly key to driving online sales

Organic at Asda

Asda has a 4.5% share of the organic market v 14% of grocery, a clear under-trade. Although such a major force in overall food retailing, they have never focused strategy on delivering a credible organic range.

Like Morrisons, they also offer just the basic organic products such as eggs and milk: they do compete on some products, where other retailers are known to provide an organic option, such as houmous



There is little opportunity to propose organic brands to Asda, unless they have an everyday appeal at a competitive retail price

Asda's parent company Walmart, have a strong position on organic in the US offering a very wide range of choice at much lower pricing – they claim to be 25% cheaper on price than the rest of the US market for organic. The Walmart approach to organic does not seem to have influenced Asda's corporate interest in organic yet.

Total organic range count (Soil Association market report 2014)

250 lines



60 Holborn Viaduct

London

EC1A 2FD

Telephone: 0208 636 9200

Amazon(online)

Amazon, the online retailer is becoming a bigger force within the provision of organic products to the UK market. They act both as a supplier of brands and also as a shop window for a number of organic brands who want to have a link to their own online shops.







The range is only available on ambient product currently despite trials of Amazon fresh in London. For customers, Amazon provides a credible source of packaged product with superfast delivery – they even advertise a Natural & Organic food store. Products range from rice, pasta, flour, babyfood, preserves, cereals, hot drinks, chocolate: in fact they are a trusted source for most organic brands competing with Ocado on dry product. On lower value products, customers do have to buy in bulk though, with minimum spend of £6 per brand

Natural & Organic Store

Find a huge selection of natural and organic [baby food](#), [coffee & tea](#), [biscuits & snacks](#), [chocolate](#) and [sweets](#). Plus save up to 15% and get regular free delivery on 1000s of everyday items with [Subscribe & Save](#).

Organic Snacks and Biscuits

[See all organic snacks and biscuits](#)

			
The Organic Collection Organic French... £11.55 	Suma Organic Omega Seed Mix 1 kg ★★★★★ (157) £12.39	Biona Organic Wild Berry Crisp 375 g ★★★★★ (1) £15.56 	Amaizin Organic Corn Chips Natural 250 g ★★★★★ (3) £14.99

Amazon is always extremely interested in new suppliers as their ambition is to have the biggest and most diverse catalogue of products. For consumers, they offer the convenience of delivery which appeals particularly to customers buying bulkier items, everyday items and items to which they are loyal

It is less appropriate as a shop window for new brands unless they are established well in other countries. Amazon in the US is extremely focused on organic products and is seen as a good 'one stop shop' there, so it is inevitable that they will continue to push their organic range in the UK. They compete sharply on the RSP of organic when buying in bulk, so smaller stores and caterers find the range more accessible

Amazon have less buyers covering larger ranges, so their vendors have to do a lot of the support work for listings – this can be resource hungry for suppliers.

Estimated organic range count across dry goods(no fresh food)

7000 lines



Aldi Stores Ltd,
Holly Lane,
Atherstone,
CV9 2SQ
Tel: 0044 (0) 1827 711800
www.aldi.co.uk

ORGANISATIONAL OVERVIEW

Domestic Market: UK

UK Revenue 2014: £5.3bn

No. of Formats: 2

Operating Countries: 18

No. of Stores: 570

Sales area: 470,470 sq. m

Aldi's Mission

'To provide high quality products at the lowest possible price'

Key Messages for Suppliers Strategy

- Aldi is the world's largest discount store operator and is a privately owned German retailer
- The Aldi business has two operating formats, Aldi Nord and Aldi Süd. Aldi Süd is operated in the UK. They operate as separate entities, sharing one concept, and will co-operate if a strategic advantage can be obtained
- The philosophy of Aldi is based on providing high quality products at the lowest possible price
- The Aldi offer consists mainly of private label lines and it is also developing its branded offer

Private Label

- Private label ranges make up around 95% of the Aldi offer
- Ranges and products can vary significantly by market to take into account local demand
- Aldi aims to continually improve quality perception of its private labels by increasing investment in these products, from packaging to advertising

Pricing and Promotion

- Aldi operates a low cost, efficiency led business models that deliver everyday low prices (EDLP)
- Aldi's promotional efforts concentrate around bi-weekly leaflets, which feature both food and non-food promotions
- Aldi's bi-weekly promotional offer is the key mechanic to drive volume

Store Formats

- Aldi operates over 570 stores in the UK, and plans to have over 700 stores in the UK by early 2016.
- Aldi opened its first convenience store in Kilburn London in 2013, it continues to grow these stores in the south east of the UK, with a total of 10 stores now in operation.
- The traditional discount format model offers limited SKU numbers and is typically around 900 sq. m. The Kilburn convenience store was developed to gain a share of the growing convenience

market. It offers a varied selection of food to go and also offers a large fresh fruit and vegetable selection

- Aldi is currently trialling a 19,000 sq. m store , a larger format in order to deliver a more consumer friendly way of shopping

Organic at Aldi



Aldi have been seizing the opportunity to provide premium products to affluent UK customers and more recently this has included introduction of a small range of organic products. Although restricted by overall range size, they introduced a range of 10 organic vegetables in 2014 and have since extended this range due to success. Their overriding strategy for organic is to undercut the main retailers on price by 25%.

On all other ranges, there is a random selection of organic, sometimes determined by the buying team, who may well be sourcing a product which is used in other Aldi stores across Europe.

Milk and eggs are available as organic options and also retail at much lower prices than mainstream supermarkets, typically 25%.

There are currently no mainstream organic brands being stocked by Aldi



Lidl UK,
19 Worple Road,
London,
SW19 4JS.
Tel: 0044 (0) 208 971 1100
Fax: 0044 (0) 208 971 1139
www.lidl.co.uk

ORGANISATIONAL OVERVIEW

Domestic Market: UK

UK Revenue 2014: £4bn

No. of Formats: 2

Operating Countries: 26

No. of Stores: 629

Sales area: 832,040sqm

Lidl's Mission

'Providing simplicity to its customers by offering high quality products at the lowest possible prices'

Key Messages for Suppliers Strategy

- Lidl is Europe's largest discount store operator
- The Lidl & Schwarz group operate two formats that perform all operational functions separately; Lidl discount stores and Kaufland hypermarkets
- Mission: providing simplicity to its customers by offering high quality products at the lowest possible prices
- Lidl has built its offer around private label, with only a relatively small number of branded products available

Private Label

- Lidl is increasingly investing in private label, with broader ranges, more locally sourced products and more appealing designs to drive sales growth
- The continuing progression of private label ranges shows the opportunities for suppliers to get involved in further developments
- As Lidl looks to communicate the quality of its private label, suppliers need to be aware of potential opportunities that exist for them and consider how they can support Lidl's ongoing conversation with shoppers in addition to providing high quality products

Pricing and Promotion

- The promotional efforts of both formats concentrate mainly on price alone, using weekly leaflets and adverts on local and regional levels
- Lidl is also beginning to use a wider range of promotional mechanics to appeal to shoppers

Store Formats

- Lidl & Schwarz group operates two formats, with over 11,000 stores in 26 international markets, 620 of which are located in the UK
- Only one store format operates under the Lidl banner a traditional discount model offering limited SKU numbers in a small format, typically c.850 sq. m

- A convenience/high street format was opened in Kentish Town at the end of 2014 which the retailer continues to trial, there could be potential to develop a range of these stores through its expansion plans.

Organic at Lidl

Lidl have a uniqueness in offering a broad range of locally sourced produce and everyday organic options such as carrots are often available within this range.

Organic options are marketed under the Meadow Fresh brand and are certified by the Soil Association. The range is very limited and will be priced significantly lower than in supermarkets

There are no known plans for Lidl to focus on organics despite their successful approach in their stores across Europe, particularly Scandinavia.



Costco Wholesale UK Home Office

Hartspring Lane

Watford WD25 8JS.

Telephone: 01923 213 113.

Costco Wholesale Corporation operates an international chain of membership warehouses, under the "Costco Wholesale" at substantially lower prices than are typically found at conventional wholesale or retail outlets. The warehouses are designed to help small-to-medium-sized businesses reduce costs in purchasing for resale and for everyday business use. Individual Members may also purchase for their personal needs.

Costco Wholesale Corporation began operations in 1983 in Seattle, Washington. The U.K. Home Office is located in Watford, Hertfordshire.

Costco's warehouses present one of the largest and most exclusive product category selections to be found under a single roof. Categories range from catering supplies, confectionery, appliances, television and media, to health and beauty as well as many traditional grocery and fresh food lines. Costco is known for carrying top quality national and regional brands, at prices consistently below traditional wholesale or retail outlets.

According to Craig Jelinek, the Company's Group Chief Executive Officer, "Costco is able to offer lower prices and better values by eliminating virtually all the frills and costs historically associated with conventional wholesalers and retailers"

Organic at Costco

They have a small catalogue of organic products, less than 30 ambient lines: however their parent company in the US is well known for organic and the same strategy is likely to hit the UK soon.

Costco are always searching out new and innovative products which may appeal to a middle range buyer or smaller business customer.

HOLLAND & BARRETT

Samuel Ryder House,

Barling Way,

Nuneaton,

Warwickshire CV10 7RH

www.hollandandbarrett.com

Holland & Barrett is the UK's leading retailer of vitamins, minerals and herbal supplements with over 700 stores in the UK. As the interest in natural food supplements has increased, they have provided a broader range at value for money prices. They have been in operation for over 145 years and are known for providing concise product information to help customers make informed choices about the products they want to include in a nutritional regime – this gives great opportunity to organic brands who operate in the VMS and health food arena.

They have a range of over 1000 VMS and health foods in stores, with approximately 100 organic lines across dried fruit, nuts coupled with branded options of food and non-food. They have recently re-launched their own brand organic range under a 'Good & Organic' strapline: it mainly offers product in the nuts and dry fruit category.



Their own brand range is complimented with a broad range of well-known organic brands. Opportunities for listings exist particularly for products with proven health credentials



Unit 3, Kendal Court,

Kendal Avenue,

London W3 0RU

www.nutricentre.com

Email – buyingteam@nutricentre.com

Nutricentre have 45 stores nationwide, from Aberdeen to Swansea and across many cities in England. A number of their stores are within Tesco Extra shops although the buying and operation of the business is completely separate.

Their range consists of brands within the VMS, Sports & Fitness products and healthy food and drink categories, ambient product only

A significant percentage of listed product is organic, with well-known brands such as Pukka, Biona, Meridain, Tree of Life, Clearspring, Linwoods etc

There is opportunity for organic brands that are aimed at health conscious consumers as Nutricentre aim to provide a one stop shop for health needs. However they have recently cut back their range so the brand will need to be uniquely different to be considered.

Independent Retailers – larger chains

The market size for other independent retailers is approximately £300m, 15% of the overall organic sales in UK, it is growing at a fast pace approximately 7.5% for 2015

There are 1000s of UK health food stores, food stores, delis, farm shops and farmers markets who are selling a range of organic within their overall selection. Ranges are increasing as health becomes a bigger consumer concern.

The key independent retailers of organic are:

- 1. Riverford – box scheme**
- 2. Abel & Cole – box scheme**
- 3. Planet Organic – exclusively organic London chain**
- 4. As Nature Intended – exclusively organic London chain**
- 5. Daylesford Organic – exclusively organic London chain and Cotswold farm & shop**
- 6. Wholefoods – national chain**
- 7. Large online retailers**



www.riverford.co.uk

Riverford is an organic box scheme delivering approximately 47000 boxes of fruit, veg, salad and other provisions to households across the UK, through a van franchise system. They have a network of organic farms nationally providing product to hubs in 4 areas. The business has grown continually even during the recession with estimated turnover of £50m

As well as produce, the business is now delivering 'recipe boxes, a complete set of organic ingredients for one meal. This appeals to the younger organic consumer who wants a convenient solution based on healthy organic foods.

Riverford favour local product from the South West of England and the opportunity for selling Irish product is minimal



www.abelandcole.co.uk

Abel & Cole is an upmarket online retailer of quality food set up circa 30 years ago, delivering mainly to households in the more affluent areas of the South of England but have also been extending into more northern counties in the last 2 years. They pride themselves in sourcing excellent local British food which is majority organic. Estimated turnover is £70m In 2013, the business was bought by the Jackson group who own the Aunt Bessie brand, however it is being run separately.

Within their range, they stock a number of smaller brands and they are a good 'incubator' for new organic products. Their established range includes fruit & veg boxes, meat boxes, juice, soup and snack boxes as well as recipe boxes – all targeted at the young, food-aware consumers who naturally want to shop online

The opportunity for a listing is minimal, although they are always looking for the most innovative products which are not available elsewhere in the market. With the right product, they may be interested in stocking

PLANET ORGANIC

www.planetorganic.com

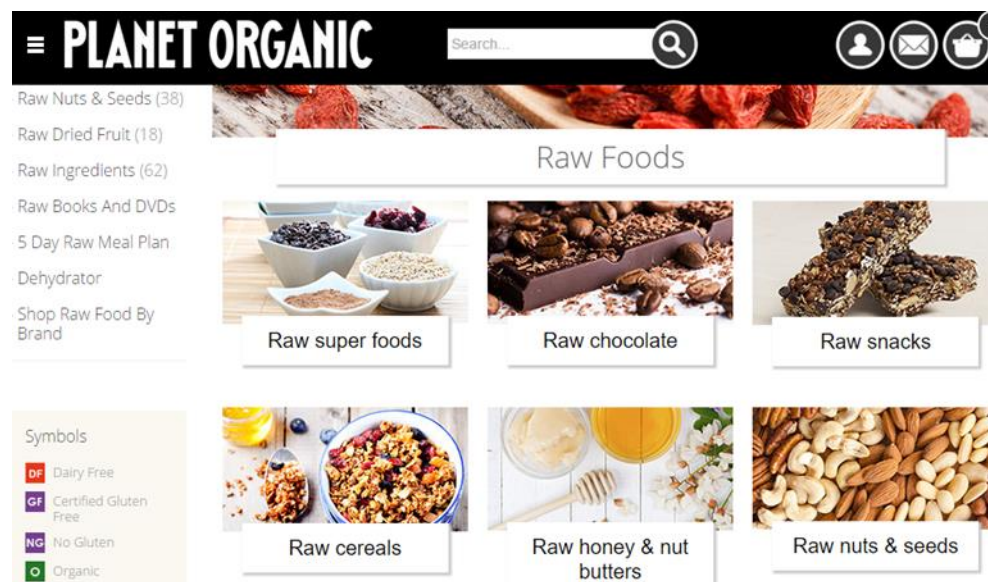
Planet Organic is an independent retailer with 7 stores in London selling almost exclusively organic food and drink as well as many natural remedies and health and beauty products. They provide over 5000 organic products which are available both in stores and online, mainly brands yet with a growing range of own brand products particularly in the raw food sector.

Planets' newer stores are focusing heavily on the 'food to go' offer and appealing to 'time-short' millennials who want to search out good quality unprocessed organic food. They have a young customer base, including a higher than average student population due to the central London location of some of their stores.

Planets' range is comprehensive and includes most known organic brands across grocery, drinks, health foods, chilled foods, babyfood and non foods. All products are available to order nationally online, except chilled foods which are only delivered in the London area.

They have been leading the way in developing new products for the raw food sector, the free- from sector, paleo diet foods, smoothies, plant based protein and natural/organic remedies

Planet have a dedicated buying team and also buy through wholesalers for smaller volume brands





www.asnatureintended.uk.com

As Nature Intended started trading in 2000 and is another London based exclusively organic chain with 6 stores in central locations. They sell a very similar range to Planet Organic but tend to have a slightly smaller footprint with less chilled food and produce than the Planet equivalents. Their latest flagship store which opened at Marble Arch in 2015 is promoting itself as a 'full shop' store for organic and has some exciting new store fittings and displays to reinforce the brand's natural earthy image – they are planning more new stores with similar layouts during the next few years

ANI focus mainly on brands and offer a good 'springboard' for smaller innovative organic brands. They pride themselves in working with passionate and knowledgeable suppliers with great quality products. They are always interested in innovative new products or ranges which are not stocked in mainstream stores





<http://daylesford.com/>

Daylesford Organic is owned by the Bamford family who set up JCB, their HQ is in the Cotswolds where they have an idyllic organic farm, retail outlet and spa, 'well known by the Cotswolds celebrity set'. They also have 5 stores in affluent areas of London including a Selfridge's franchise store and a stand at Chelsea Farmers Market.

Their range is all own brand and is of the highest quality with really premium price tags. There is little opportunity for brands unless they are providing USPs which are not available elsewhere in the market.

Daylesford sell many of their products through a 'shop in shop' at Ocado online: this has given them a national reach and expanded their sales turnover significantly since 2013.

Most of their agricultural based products are supplied directly from their farm in Stow-on-the-Wold





www.wholefoodsmarket.com

Wholefoods Market entered the UK in 2004 when they bought the 'Fresh & wild' chain of organic/natural stores. Although not exclusively organic, they have a strong loyalty to organic within their range and stock most of the main organic brands available elsewhere in the UK.

They have a flagship store in Kensington, London with 8 other stores, including one in Glasgow and one in Cheltenham in the West. They reported a 24% increase in sales in 2014 partly due to a new store opening in Richmond, London but also growth of approximately 7% across all stores.

Their approach to food retailing is unique with mouth-watering displays and extensive choice particularly in the fresh foods areas. Given that they are so well experienced on selling organic within the US and are a key part of that market there, much of their future UK strategy will follow the US approach

Wholefoods like the other independent chains are benefitting from an increasingly divided UK market, where customers are no longer loyal to one store but like to shop around and have a portfolio of stores for different types of shop.

Wholefoods have strict requirements for new suppliers, certain standards need to be achieved to reach their required assurance level. On organic this normally requires a UK certification body stamp or equivalent from another EU country

Online Organic Retailers

Online sales of organic are increasing rapidly: alongside the hugely successful Ocado and Amazon's growing offer, there are a number of other specialist online organic retailers offering a One Stop' shop alternative for the more dedicated green and ethical shopper .

Some of the larger specialist operators, who buy their ranges mainly from the wholesalers are listed below

www.ethicalsuperstore.com

www.biggreensmile.com

www.realfoods.co.uk

www.buybigorganic.co.uk

When checking the competition from UK organic brands, it is a good starting point to consult these websites and see what ranges/brands are already available and at what retail prices.

Wholesalers/Distributors – with broad organic ranges

There are a growing number of wholesale businesses who are seeing the potential for sales of organic products within the independent shops and health stores in the UK. It is estimated that over 2000 individual stores are now selling organic products, ranging from the Holland & Barrett health stores, to privately owned smaller chains such as Better Food Company in Bristol and one- off stores such as Unicorn Grocery in Manchester who also have significant online sales. Some of the sourcing for independent retailers is done directly with the brands, however mostly through wholesalers.

Here is a summary of all the key wholesalers that have comprehensive catalogues of organic products, mainly within the dry goods sector. Many are also distributors of fresh foods, particularly Marigold who cover distribution to the London area.

- 1. Essential Trading**
- 2. Queenswood**
- 3. Infinity**
- 4. Community Foods**
- 5. Marigold Health Foods**
- 6. Tree of Life**
- 7. The Health Store(THS)**
- 8. CLF**
- 9. Wholesalers to the catering market**

It should be noted that these wholesalers are purely a 'shop window' for brands and market and deliver directly to independent shops and foodservice outlets: they do not deliver to any multiple retailers nor do they generally act as hauliers picking up from suppliers – some of them may do, so it is worth checking this out during discussions. Mainly they will expect delivery to their depots from the supplying business.

For distribution to these wholesalers, suppliers will need to set up the transportation from Ireland to the UK separately.



www.essential-trading.co.uk

Unit 3, Lodge Causeway Trading Estate,
Fishponds,
Bristol, BS16 3JB

Telephone: 0117 958 3550

A leading UK organic and Fairtrade product wholesaler, Essential Trading manufacture and distribute sustainable wholefoods, ecological household products and cruelty free body care items across UK, Europe and internationally.

Their product portfolio covers over 5000 lines including: convenience, ingredients, vegan & vegetarian, speciality foods and free from.



They provide their own brand organic ranges and a wide selection of branded organic through online shop



www.queenswoodfoods.co.uk

Bristol Road,
Bridgewater,
Somerset
TA6 4AW

Telephone: 01278 423440

Queenswood Natural Foods are based in Bridgewater in south West England. They deliver to the natural, organic and fine food trade, operating throughout the South, South East, South West of England, as well as the Midlands and South Wales.

They offer over 7500 products, many of which are organic, in the following categories:

- Bulk, Mid-Bulk and Pre-packed dried fruits, nuts, seeds, pulses etc
- Branded ambient products
- Supplements, remedies and toiletries
- Frozen branded products
- Chilled branded products



www.infinityfoodsretail.co.uk

46 Dolphin Road,
Shoreham by Sea,
West Sussex
BN43 6PB

Telephone: 01273 456376

Infinity Foods, based in Brighton is a thriving worker's co-operative dedicated to the provision of an extensive range of vegetarian foods since 1971, this also includes many organic lines. Organic is firmly rooted in the founding ethics of the company and they have a deep commitment to organic principles

They also have a Shop and Bakery which provides one of the largest selection of organic and natural vegetarian and vegan foods in the South East of England. The business started through the shop but has since expanded to be known as one of the leading brands of essential organic foods and produce



www.communityfoods.co.uk

Brent Terrace
London
NW2 1LT

Telephone: 0208 208 2966

They are natural and dried food distributors and importers, providing own brand fruit and nuts to the supermarkets while also acting as a distributor for a number of organic brands such as Crazy Jacks and Tarantella tomatoes,

They supply bulk ingredients, wholesale, retail and foodservice customers and offer an ingredient buying and packing service for customers needing to pack large quantities, using automated packing machines.

They have a smaller range of organic products available to wholesale customers.



marigold health foods

Suppliers of Marigold Swiss Vegetable Bouillon Powder

Contact: sales@marigoldhealth.co.uk

www.marigoldhealthfoods.com

From their base in London, they distribute range of chilled, fresh, ambient and vegetarian products to retailers within a 60 mile radius – they are one of the few distributors of this kind in the London area

They have their own bouillon products alongside many well-known chilled brands

our range of unique healthgiving vegetarian products



There are a significant number of organic products within their catalogue



www.treeoflife.co.uk

Coaldale Road
Lyndale Business Park
Newcastle under Lyme
Staffordshire
United Kingdom
ST5 9QX

Telephone: 01782 567160

Tree of Life is one of the largest of the UK's wholesale distributors of health food, natural food and organic food products. Tree of Life has supplied healthy food products to large and small retailers for over 20 years within the UK and Ireland. They also export to many countries throughout Europe, the Middle East, Africa, Asia and the Far East.

In total, they supply over 10,000 products across 600 popular, exclusive and quality brands. They have strong relationships with all types of retailers. From independent and traditional health food shops and cafes to larger multiple retailers, supermarkets and e-commerce retailers, sometimes supplying own brand options

They have their own brand of ambient products in some of the main health store chains as well as Nutricentres.

Many familiar UK brands of organic are offered within their catalogue. As a wholesaler, they are the most comprehensive one stop shop for organic food alongside VMS and non foods products



www.thehealthstore.co.uk

Unit 10, Blenheim Park Road
Nottingham
NG6 8YP

Telephone: 0115 9767 200

There is a 'new supplier form' for completion on their website as a first stage for potential listing

The Health Store Wholesale Ltd is based in Nottingham, England. They have been in operation for over 83 years and are one of the leading Health Food wholesalers in the UK and Europe. They supply customers throughout the UK, Ireland, Europe and Asia and are happy to make contact with potential customers globally.

At The Health Store they stock more than 11,000 products many of which are organic, across categories such as .Food and Drink, Body/Personal Care, Supplements and remedies, Home Care, Sports Nutrition, Pet Care, Chilled and Frozen.

They provide products for special diets including amongst others Gluten Free, Wheat Free, Nut Free, Dairy Free, Vegan, Vegetarian.

They also supply bulk wholefoods

They are always open to listing new organic brands particularly in the emerging health sectors



www.clfdistribution.com

210 Mauretania Road
Nursling Industrial Estate
Southampton
Hampshire
SO16 0YS

Telephone: 02381 270000

Founded in 1998, CLF are the leading UK wholesaler of premium health products including: Sports Nutrition, Organic and Health Food Products, Vitamin, Minerals & Supplements, Personal Care, Household Products and have recently added Chilled & Frozen Products.

They offer a daily delivery service from a purpose built and extensive warehousing facility in Southampton, Hampshire, and successfully provide continuity of supply across **18,000+** products from over **1000** leading brands.

They offer support to nutrition and healthy lifestyle retailers, pharmacies, gyms and other sports nutrition outlets, to help them grow through having the right brands and products. Organic features highly in their catalogues

Other Wholesalers into the Catering Market

There are a smaller number of wholesalers who specialise in providing products, including organic, to the catering and foodservice channel

This is still a small segment of the market, at 3% overall, however it is growing as more caterers are keen to improve the standards of food on menus. The Soil Association, UK's leading certification body, have a Catering Mark programme which requires caterers to provide a percentage of organic on menus. This has helped drive interest in organic within the foodservice channel

The Catering mark programme has added more than £7m worth of organic sales within the foodservice sector. Combined with previous successes of organic milk being used in chains such as Mc Donalds, Pret, Itsu, there is a growing market for organic products in catering

The key players are:



www.bidvest.co.uk



www.brake.co.uk



Fresh food focus

www.ncb.co.uk



www.afblakemore.com

Conclusion & Next Steps

Maximising the opportunity to enter the UK organic market

Clearly the UK organic market is in growth and there is a new younger customer who is interested in innovative organic brands that are healthy, nutritious and produced with the highest standard of integrity and care for animals and the environment.

However it is already a very crowded market and a well-planned approach is essential. UK retailers are no longer proliferating ranges but minimising the choice on shelf. The brands that are successful, are unique and well-supported with sound commercial plans and marketing monies.

Here are key points to consider when taking the next steps towards pitching in the UK.

- **Customers**

1. Assessment of your product category in the UK market is essential
 - a. Check out all current competitors in the UK market
 - b. Check which competitive product is being listed within multiple retailers through their websites
 - c. Check key organic online retailers for equivalent range/products
 - d. Check websites of key independent retailers
2. Consider the independent retailer channel as a starting point. If the product sells through this channel, then there is good supporting evidence to pitch to the mainstream supermarkets. Approaches can be made directly to the key wholesalers, contact details are outlined earlier in the report and to the main independent chains ie Planet Organic, As Nature Intended and Wholefoods
3. Consider both the larger online retailers such as Ocado (through the Irish shop), Amazon and Costco and also the smaller online retailers. A listing can provide a 'shop-window' for your brand in the UK
4. Once established, then there is greater chance of being successful through the multiple retailers particularly those for whom organic is key to their customers ie Waitrose, Sainsburys, Tesco. However your product or range will need to be totally unique to be given consideration, so checking out the UK competition within your category is critical, as mentioned.
5. Gaining an opportunity to pitch to a mainstream supermarket' buyer can be extremely difficult: consideration may need to be given to the ongoing need for a UK sales person or agent to manage the approach
6. Supermarket' buyer interest is a starting point, however it is important to note that even if they are keen on your product, it can be anywhere between

6-12 months before a range review is planned. This lead time needs to be built into your strategic plan.

- **Routes to Market** – a lot of consideration must be given to the logistics of getting products/brands to market before pitching or negotiating with any UK retail customer. Regardless of the channel to market, the customer will have an expectation that includes delivery to their warehouse or depot/fulfilment centre. Here are key suggestions for preparing for delivery to UK:
 1. Familiarisation with the options for transportation into the UK either through Irish hauliers who are delivering frequently to the market or through UK logistics companies who pick up product from Ireland
 2. Some UK customers, particularly larger retailers may nominate their haulier, however they do generally prefer the initiative and responsibility to be taken by the supplier. Delivery can be direct to a retailer depot or most large retailers have a consolidated operation, where a number of suppliers deliver into a single location and they then deliver on to the retailer depots
 3. Certain companies specialise in chilled distribution and for smaller quantities, such as Oakland International www.oakland-international.com Others will be more focused on dry good products or larger loads such as Culina www.culina.co.uk or Refresco Gerber www.refrescogerber.co.uk A full assessment of choices should be made in order to factor in the best distribution costs within commercial proposals.
 4. A number of UK hauliers/distributors will also take on the administration and stock management in the UK if wanted
 5. It is helpful to contact other Irish companies who are already distributing to the UK, to assess any joint opportunities
 6. The Bord Bia London office also has information on UK delivery options.
- **Supporting Your Proposal**
 1. Gross margin expectations will be high for organic products and will vary dependent on the category. It makes sense to build in some flexibility to raise the gross margin as part of initial negotiations
 2. Promotional spend is expected by all UK customers, and should include
 - An introductory offer
 - Sufficient frequency of offers throughout the year dependent on the frequency of purchase – minimum is usually 4 per year
 - On pack offers to draw customer attention

3. Marketing Support Monies – all retailers will require some level of financial support for a listing, even if only to cover the cost of ‘shelf edge labels’ and administering the new line. For online retailers, there will be an expectation to support the ongoing profile for new products through marketing support on the site – this can be costly and should be built into the commercial support plan
- **Marketing and PR** and positive steps to building a brand in the UK
 1. Product endorsements – there are various ways of profiling your product to help with influencing UK buyers and customers
 - Entering awards such as Soil Association BOOMs, Great Taste Awards or category specific awards
 - Enlisting the support of UK ambassadors to promote your product
 - Recruiting Chefs and celebrities to endorse the quality
 - Staging tastings either in targeted areas or through retailers
 2. PR – organising support to profile your products in relevant media, to build both buyer and customer interest
 - Trade magazines such as the Grocer to announce a new listing
 - Consumer magazines such as Natural Products and Speciality Food
 - Targeted consumer media as relevant to your product sector
 - Use in recipes on line
 - Facebook and twitter to create chat about your products
 3. Shows – there are a number of key events where organic products are showcased in UK
 - Natural & Organic Products Europe at Excel, London, takes place in April – essential for new brands in UK and gives much exposure to wholesaler and retail buyers with a slight bias towards the health store sector
 - Speciality and Fine Food show takes place in early September at Olympia, London – a spread of organic brands exhibit particularly those that are planning to sell to delis and premium food stores
 - Farmshop & Deli show takes place in mid April – appealing to smaller specialist shop owners
 4. Networking Events – there are a number of key events as well as the shows listed above and it is useful to keep up to date through checking the websites of key UK organic organisations
 - www.soilassociation.org – charity and certifier
 - www.organictradeboard.co.uk – industry trade body
 - www.organicresearchcentre.com – farming focused
 - www.organicfarmers.org.uk – certifier
 - www.organiccentrewales.org.uk – Wales specific

Bord Bia

Bord Bia run a number of different programmes annually in the UK market focusing on retail and foodservice channels. They arrange multiple Market study visits to the market throughout the year focusing on different channels and product sectors. They also coordinate Irish company participation at some local shows and events such as Speciality Fine Food Fair and Lunch!.

We would recommend that you contact Bord Bia's London office to establish the services or information they offer which may be suited to your current stage of businesses' development in the UK market.

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