



UNITED KINGDOM Agri-Food Consumer Profile August : 2004

Forward

The UK is a market of over 60 million consumers living in one of the most urbanized countries in Europe. Busy lifestyles, changes in tastes and buying influences, all contribute to this unique market.

<p>Key points on UK consumers</p>	
<p>The UK is one of the most urbanized countries in all of Europe.</p> <ul style="list-style-type: none"> • Rise in number of working women and single-person households • UK consumers desire convenience, time saving, novelty quality items - price is no longer the most important consideration when purchasing goods. 	<ul style="list-style-type: none"> • Eating trends have changed to adapt to work driven lifestyles, and on-the-go consumers. • The UK consumer is growing in their level of sophistication, expansion of tastes and awareness surrounding the effects of poor nutrition. • Canadian companies have experienced tremendous success in the UK market

DEMOGRAPHICS

- The UK is one of the most urbanized countries in all of Europe.
- The UK has one of the highest concentration of working population and the longest working hours in all of Europe.
- The population of UK has experienced approximately 5% growth in the past 20 years, relatively slow compared to other developed countries. The North East and North West regions are experiencing the slow growth, while the South West and East have seen growth over 10%.
- Recently the market has shifted to one that is dominated by individuals over the age of 60. This portion of the population is greater than that of children between the ages of 16-21.
- Rise in number of working women and single-person households.
- The UK population features an ethnic mix of 3% Indian/Pakistani/Bangladeshi; 2% Caribbean/African and .3% Chinese.
- The Greater London area has a population of over 7 million people and is one of the most densely populated areas in Europe. One in eight of the UK's population call London home, a city that is comprised of over 3 million households. With a younger population in comparison to the rest of the country, London is a commercial centre.

CONSUMER DETAILS

- Key influences on consumer demand:
 - ▶ slow population growth, aging population, number of households growing, number of

- ▶ persons per household shrinking.
- ▶ growing disposable incomes and a rise in the number of women in the workforce.
- ▶ consumer tastes are international, while formal meals are rare and snacking more common.
- ▶ the public is greatly in tune with food safety, environmental, and social issues surrounding food production and consumption considering recent disease outbreaks.
- ▶ supply chain efficiency is reducing the cost of food, while retail outlets are increasing their coverage countrywide.
- UK consumers desire convenience, time saving, novelty quality items.
- ▶ UK consumers appreciate choice and variety. Innovation within the market drives potential and ability of offer choice.
- ▶ Price is no longer the single determining factor towards purchasing, it still remains important - but ease of use, nutritional values, production methods, food safety, country of origin and aesthetic appeal all play key roles in influencing purchase.
- Eating trends have undergone a drastic change due to work driven lifestyles.
- ▶ 15% of households sit down for a meal together everyday, 20% once a week, and 25% only once a month.
- ▶ UK consumers spend less than 20 minutes a day preparing food, a sharp drop from 1 hour per day 20 years ago.
- ▶ more people are eating on the go. It is not uncommon for entire meals to be consumed while traveling on public transit and maneuvering through a busy city. This has spurred a trend towards proportioned products, resealable packaging and smaller snack size options.
- ▶ the desire to spend less time on meal preparation and the hectic pace of life in major cities have created demand for convenience, variety and value added goods.

CONSUMPTION FACTORS and TRENDS

- Roughly 10% of total consumer expenditure is on household food consumption, meals outside of the home account for 8% of total expenditure while alcoholic beverages account for 5% of total expenditures.
- ▶ strong interest in innovative products, specifically those that are specialty, ethnic or health food products.
- ▶ the UK consumer is growing in their level of sophistication and desire to have quality consumption experiences.
- ▶ the UK has a traditional acceptance of foreign cuisine, and with more people taking foreign holidays consumer tastes are expanding to include more variations of international cuisine. The UK consumer is becoming more educated in international tastes, and is more willing to experiment with new flavors.
- ▶ Sandwiches have become the snack of choice with chips and chocolate losing the top spot.
- General tastes and preferences
- ▶ due to a history of food scares, the UK consumer is wary of government guidance surrounding this issue.
- ▶ the acceptance of genetically modified foods is minimal in the UK
- ▶ the organic market has rapidly expanded pushing past the niche market boundary moving into mainstream consumption.
- ▶ with high rates of heart disease and cancer the UK consumer is aware of the benefits to eating less processed foods, although only small portion of consumers carry this belief into actual consumption patterns. Eating more fresh fruits and vegetables and low-fat and low-sugar goods is a challenge when quick low effort meals are the bulk of what is demanded. Consumers want to find these healthy qualities in easy to prepare meals and food products as well.
- ▶ With smaller family units, and generally small kitchens and refrigerated space UK consumers tend to purchase smaller packages and quantities of food. Large shopping trips are only done every 2-3 weeks.

DISTRIBUTION AND RETAIL SECTOR

Food retailing is concentrated in the hands of a few major grocery chains. With the rapid development of these main grocery stores in out-of-town locations across the UK, a new one-stop shopping experience is now available to the family. The top 4 retail food chains (Tesco with the highest market share, ASDA/Walmart, Sainsbury's, Safeway recently acquired by Morrison's) account for approximately 70% of the market. Each of these chains meets the needs of a specific customer base. Tesco serving the middle market, with the others serving above or below this standard. UK superstores are generally between 25 - 50,000 square ft. and are usually located out-of-town or on the edge-of -towns to appeal to planning regulations within town boundaries. The big players balance large store formats with convenience store formats to ensure market coverage both inside and outside of major cores.

The retail sector is divided into five categories, major multiples (more than 10 outlets), minor multiples, discounters, co-ops and independents. UK department stores have also taken on the role of offering retail food space which generally focus on speciality and high quality food items.

REACHING THE CONSUMER - MARKETING PRACTICES

To meet successful exporting status with the UK, an exporter must do their homework. It is recommended that basic market research be conducted to determine if the product will work or have a demand in the UK marketplace, to determine a target sector, the appropriate business partner, duties and taxes applied to goods, final product pricing as well as labeling and promotional approaches.

TRENDS SPECIFIC TO CANADIAN FOOD EXPORTS

The United Kingdom is Canada's 7th largest agricultural export market and 8th largest source of agricultural imports. Two-way agricultural trade exceeded \$628 million in 2003, 24% of Canadian exports were intermediate goods, while 42% of all agricultural exports were consumer goods. The UK agri-food market is one that offers a range of opportunities for the Canadian exporter. Canadian companies have experienced tremendous success in the UK market. Competitive imports and grocery retailers are always looking for quality products that offer innovative/novel characteristics and specialty appeal. The sensitive UK consumer is always looking for unique food choices rather than the typical products that can be sourced domestically. A key to a successful presence in the UK market is ongoing product development in the area of convenience and value added product characteristics.

Canadian exporters will continue to supply raw materials such as wheat to the UK food processing industry, as well as build on their success in exporting cheese, breads, cereals, confectionary, alcoholic beverages, syrups and sauces as well as fruits and vegetables. Further growth is due in the organic sector as well as in fish and seafood.

- ▶ Regulations and requirements sometimes seem daunting, but Canadian companies have found some important market niches.
- ▶ Canada offers the UK with high reliability compared to other non-EU suppliers.
- ▶ The UK views Canadian products and business relations as guarantees of quality.