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TOP TIPS FOR FOREIGN PRODUCERS WISHING TO ENTER THE BRITISH MARKET – FOOD & WINE SECTOR

Introduction

The UK is probably the most sophisticated food market in the world. Regarded by some as a 'treasure island' of opportunity, enter at your own risk and only after you have properly researched your particular sector thoroughly, employing local knowledge and expertise. And be prepared to commit sufficient marketing spend to support your activity, especially if your target distribution is via the Big 4 supermarkets (Tesco, Sainsbury, Wal*Mart / ASDA and Morrisons)

The UK has a population 63 million ethnically diverse people in four distinct home nations of England, Wales, Scotland and N Ireland making it the sixth richest country in the world.

Are you 100% committed to export to the UK market? It has a different language, different culture and a different currency which has declined 25% in the last two years (against both the Euro and CHF), and 40% in the last 8 years. The UK market is even more competitive than ever, with a flat economy, and relatively high inflation making it a difficult time to enter. But get in now, ahead of the crowd and be established for when the economy improves, which it will in the not too distant future.

Three routes in

1. Do it yourself, all from your foreign base –works best with mass market volume goods
2. Establishing a UK subsidiary (could be minimal) and find yourself a distributor
3. Appoint a UK importer. Cost effective with essential local knowledge.

What you need to consider with a UK Importer:

Are you going to get paid? Make proper status and financial enquiries

What's the pedigree and reputation of that distributor? Make enquiries in the trade and ask their customers too.

What else are they selling? Avoid conflicts

Do they have all the competencies you need? IT, category management skills, solid logistical framework, food tech skills (branded and private label), and the right sales contacts?

What profit margin do they need to make it work, especially marketing spend? Put down seed money in the first year, after that pay a percentage of turnover for marketing & promotion.

Importer must expect lower margins when a promotion is in place.

Target customers

The UK market is segmented into:

The Big 4 Supermarkets: Tesco, Sainsbury, Morrison's and Asda

The second rank groups: Waitrose (John Lewis) and Co-Op. plus some regional groups like Booths.

Discounters: Aldi and Lidl.

Membership sellers like CostCo, and Makkro

Convenience stores like Costcutter, Nisa (symbol / membership groups)

and also petrol forecourts

CTN shops (Confectionery, tobacco and newspapers)

Wholesalers like 3663, Bookers

Food Service like GateGourmet (see also wholesalers above)

Traditional grocers (independents) and Delicatessen shops.

E-sellers through the internet and mail order like Ocado and the Big 4's home delivery

Ethnic Food shops

Specialist Health shops such as Holland and Barrett, GMC

Non-food retailers with very limited food offerings

Complementary therapists, spas and wellness centres selling specific nutritional products

Farm shops, organic food shops, out-of-town centres

Fine Food fairs and exhibitions, county / country shows

Big 4 Supermarkets

Costs

Expect listing fees, also called 'admin fees'

Level of promotional support? Price reduction – 3 for 2; 'when its gone its gone' etc

Point of sale costs? E.g. Rack end. Also 'over-riding discounts (on turnover) or growth incentive?

Support advertising in house magazine – effective but doesn't strengthen your hand with their buyer

Tastings & Demonstrations – have to use their own tasting agents. Restrict number of sites? All these supermarkets have hundreds of sites, some thousands

Non-compliance costs. Loss of profit fees. Barcode irregularities – cost £500 per code

Buyers

When talking to buyers suggest their timetable and when is their range review. Usually once a year with a mini review at 6 months to correct the range

Do proper research, visit stores, gap analysis – what's not there. Market data

What are the buyers' margin expectations?. Usually 50% profit on return. Tesco want more, but Less required for mass market items.

Buyers are judged by the size of the margins they achieve.

Don't discuss negotiations about price and conditions with other supermarkets (illegal)

Packaging

3 or 4 languages on the packaging not now acceptable, unless there is an ethnic element helping marketing.

Shelf-ready packaging required, easy to put on the shelf. E.g display trays with shrinkwrap, and use tray as a means of advertising

Size of outer unit – no more than 6, unless it is a volume selling product. This is also good for smaller branches like Sainsbury Local and Tesco Express

Make sure your barcodes are correct on the product and outer case. Magnification and light margins

Important (stores will help you on this)

Europallets – not used as they don't fit in distribution centres' racking system. Blue check pallets ok

Independent Trade

Three or four companies now dominate the industry and they are just as demanding as the supermarkets. The Cash & Carry trade only like products in 6's or even 3's

Discounters

Aldi and Lidl are good on quality as well as price now

They only use Europallets and buy in trays without shrinkwrap!

CostCo is a discount club with 22 depots and much fewer lines

Other Outlets

Food Gifts and Hampers – growing business

High quality grocers and delis are still important. Direct purchasing in small quantities and via wholesalers

Food Service

Again 4 dominant companies. Sector very important in the UK, expanding business with supplying schools, hospitals etc

Private Label

Very important here and in some categories 90% is private label

Foreign suppliers must have

- Good accredited production facilities (the best is BRC)

- Good product development and the ability to respond quickly to clients' needs

- Ability to correct packaging problems. Own design capability. Able to handle returns

Understand the volumes you are expected to supply and the number of stores they will be sold in.

Stock controllers very important in supermarkets.

Conclusions

Although Britain is no 'treasure island' for foreign exporters, a well thought out, well researched and funded market placement project can result in good returns over the medium to long term.