UK Market Report

Canary Islands, April 2021

MISSION VENTURES

Introduction

This report has been compiled on behalf of PROEXCA to support and promote awareness of opportunities within both the UK and the Republic of Ireland for various producers of food and drink from the Canary Islands. Owing to the much greater opportunity within the UK the bulk of the report and category analysis is based on this market, with a supplementary study of the Irish market following this work.

Readers will have a comprehensive overview of both the geographic markets, their key differences as well as specific high-level category information pertinent to the eight categories under review.

We outline the key market trends and players in retail, recording the impact of Covid-19 on consumer behaviour, and identify opportunities in Direct-to-Consumer (D2C) and ecommerce. With guidance on the costs of operating in the different channels we hope to provide insights to assist brand owners in identifying market potential and preferred routes to consider for market entry.

Whilst Cheese, Wine and Salt are clearly defined categories in the target markets, for the particularly localised products we have followed the following rationale for examining the market opportunity: Palm Tree Syrup, we have looked at the broader category of tree syrups and sweeteners. For Gofio we have explored the protein shakes and mixes market, and for Mojo we have looked at cooking sauces and salsas. Cactus jam has been considered in the light of speciality conserves and Aloe Drinks in the RTD market for functional health drinks.

Without direct knowledge of the brands that might consider the UK market this report can only ever be a high level analysis of the key drivers at a macro level as well as the highlights of what we can observe within the individual product categories. We would welcome the opportunity to further explore the opportunities at a brand level as time and budgets allow.

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UK Market overview

The UK market

There are more than 7,400 food and drink manufacturing businesses in the UK; 96% are SME's. UK-based manufacturers are not afraid to push food production boundaries and meet the country's demand for ever-changing tastes. UK Consumers demand high-quality products that deliver genuine value. This consumer need, plus the vibrant startup ecosystem, means that the UK is a very competitive market where both quality and innovation levels are high. This factor helps the UK retain its place as a world-renowned food and drink market that many industries look to from Europe for inspiration.

COVID-19 has changed our behaviour towards food. Our relationship with food as a household has been reshaped. One of the most significant shifts has been the rise of home cooking. A recent survey said that almost 75% of UK adults think that cooking dinner now provides a break between work and home. 52% have been carefully planning meals and writing shopping lists since March and will continue to do so in the post-Covid world.

The UK's unique food culture and thriving industry where over 50% of food is imported mean the market is an excellent testbed for new products. Uncertainty about Brexit has meant that food and beverage companies will face short-term challenges such as pressure on margins, sustainability and regulatory compliance. Despite this, the industry shows the potential for strong future growth, particularly in the online channel.

British shoppers spent £1.4bn online in January, a growth of 121% on the previous month. Most of this spend was from new online shoppers. Spend in this category is at its highest ever share of total grocery sales. This is brilliant news for ambitious brands looking to enter the UK market. Online sales channels are typically cheaper, more flexible and faster to enter.

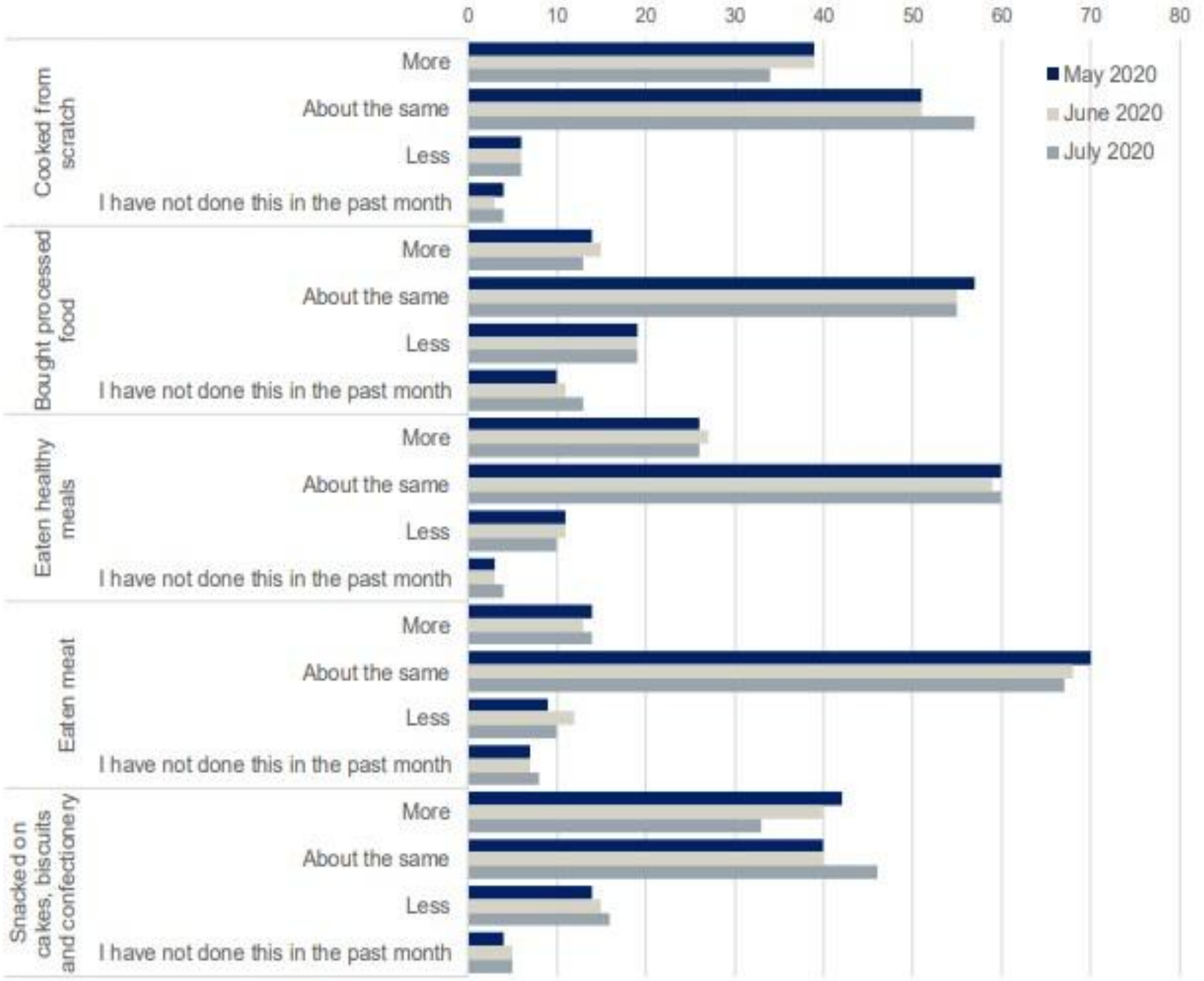
Impact of Covid-19 on UK F&D

The UK Government released a report that analysed the impact of Covid-19 on UK shopping behaviours just before and during lockdown measures were imposed. Kantar FMCG data shows, as expected, that the overall growth came from a higher value per trip, whilst the trips taken reduced.

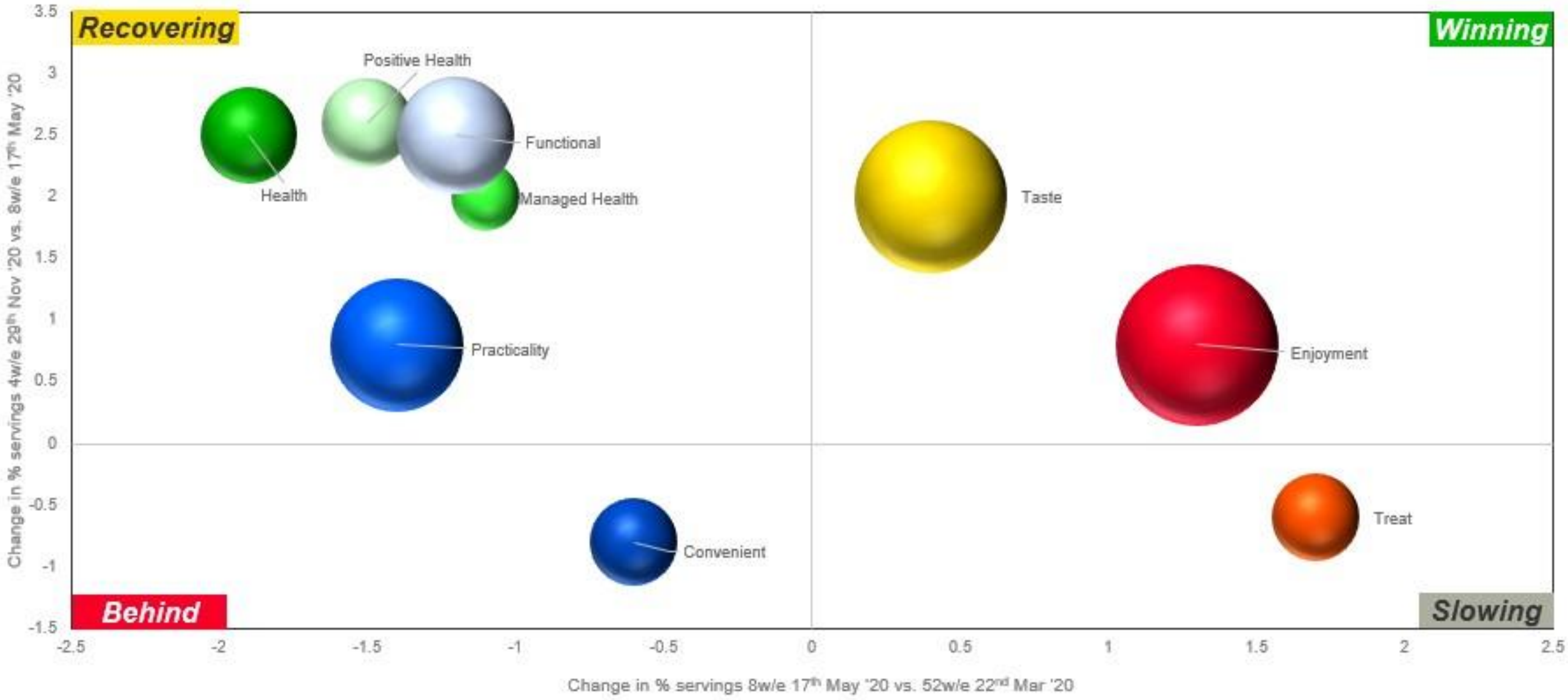
Working from home, with a higher focus of health and wellbeing and financial instability have shifted our food & drink habits with many consumers cooking from scratch & adopting a more flexitarian lifestyle.

Categories that experienced the largest increases in the year to date up to 21 June 2020 are; alcohol (up 27.6%), home cooking (26.25), savoury snacks (18.8%) & frozen confectionery (17.8%)

With evidence that healthy diets help reduce the impact of Covid and the PHE/Government 'healthy eating' campaign going live, experts are predicting many of the new shopping behaviours may become permanent.



Source: Food Standards Agency and IPSOS Mori: COVID-19 Consumer Tracker; adults aged 16-75; Base: 2,040 (8-12 May 2020), 2,045 (12-15 June 2,020), 2,068 (10-14 July 2020)



Our behaviours across the past 12 months have varied dramatically. The graph shows the impact of lockdown on our diets and food choices. With taste and enjoyment being a crucial part of people's food decision, it further emphasises that whilst health or function may be a consideration, products need to taste good to have long-term success.

UK Market trends

On overview of key trends

Plant-based and immunity

With approximately a 1.5million people in the UK now following a vegan diet and 566 new plant-based products launching into retail for Veganuary, this category is exceeding all growth targets.

As demand continues to soar and more consumers adopt a flexitarian diet, Grocers and High-St chains are keen to list innovation in this space.

Conscious brands

In an era of media and visibility, consumers opt for purpose-led brands that align with their values more than price.

Topics such as sustainability, supply chain transparency, animal welfare and fair employment are high on the consumer agenda and can act as a point of difference against competitors.

On-trend & visually appealing

Foodies, online influencers and social platforms continue to gain popularity and be the primary source for brand discovery, especially for younger demographics.

'Little Moons' saw sales increase by 2000% when they went viral on Tik Tok, with their on-trend product & bold branding.

Faster foods

Despite working from home over the past 12 months, many consumers feel the work-life balance has declined, and as a result, the demand for high-quality, convenient meals has increased.

Gourmet frozen meals or recipe kits are appealing to health-conscious consumers and are more affordable than takeaways/meal delivery services.

Mochi TikTok craze sees Little Moons sales rocket 700% at Tesco

By Abbie Dawson | 1 February 2021 | 2 min read

Source: Little Moons
Its mochi has gone viral on TikTok, with posts tagged #LittleMoons receiving over 19.5million views

Ice cream brand Little Moons has seen sales surge 700% at Tesco in the past week after it went viral on TikTok.

A legion of TikTok users have taken to sharing videos of themselves eating and buying the snacks. Videos using the hashtag #LittleMoons have so far gained over 19.5 million views.

The eight golden rules of TikTok according to Little Moons

As a result the brand, which manufactures a range of mochi ice cream balls, has seen sales surge across all of its stockists, including Tesco, Waitrose, Ocado and Amazon Fresh.

MOST POPULAR | MOST COMMENTED

Issa brothers 'willing to sell forecourts' to seal Asda takeover deal

Guinness spin-off Hop House 13 to be axed in Britain

Britain's Biggest Brands 2021: the top 100

Justin King: why I'm investing in Snappy Shopper

Driver shortage leading to availability issues in convenience stores

By using social media, ice cream brand Little Moons increased their sales by 700%. [Read more in The Grocer.]

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Trend case study
The rise in plant based

Vegans in Great Britain

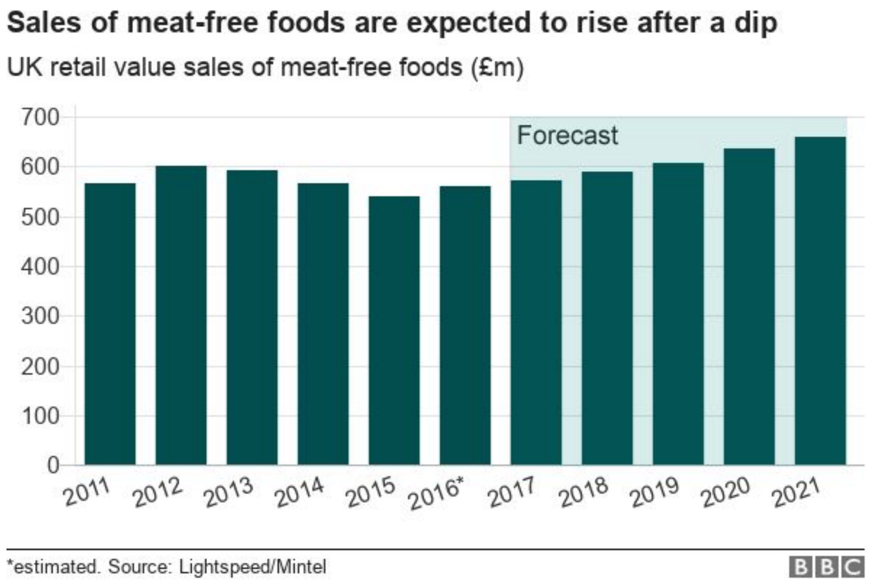
600,000

According to a Vegan Society survey of 2,000 people in 2018

£740m Estimated sales of meat-free foods in 2018

87% Most Veganuary participants in 2019 were female

Source: The Vegan Society, Mintel, Veganuary campaign



Case Study: Plant based

The plant-based sector is one of the fastest-growing areas of the food industry right now. The sales of meat-free products have grown by an astonishing 40% in the past five years, equating to an estimated £816m in 2019 alone. With a vast number of revolutionary plant-based products being launched every month, it is almost impossible to keep up, and it isn't just cutting-edge start-ups leading the way.

Private label supermarket brands and meat and dairy companies are also innovating. What's more, the quality of the products is impeccable, and this is demonstrated by the fantastic reception they receive from consumers. For instance, when KFC introduced its Quorn Chicken Burger, it sold one million patties in its first month alone. Similarly, Sainsbury's vegan cheese exceeded sales expectations by 300% when it was introduced in 2017.

The consumer appetite for plant-based food only continues to grow, with one in five Brits cutting down on their meat consumption during the Covid-19 pandemic and 15% reducing their dairy or egg intake over the lockdown period, according to The Vegan Society.

An image of the plant based meat category within Sainsburys, one of the UK's largest supermarkets. Shelf space for meat alternatives has grown dramatically in recent years.

What is driving change in the plant based category?

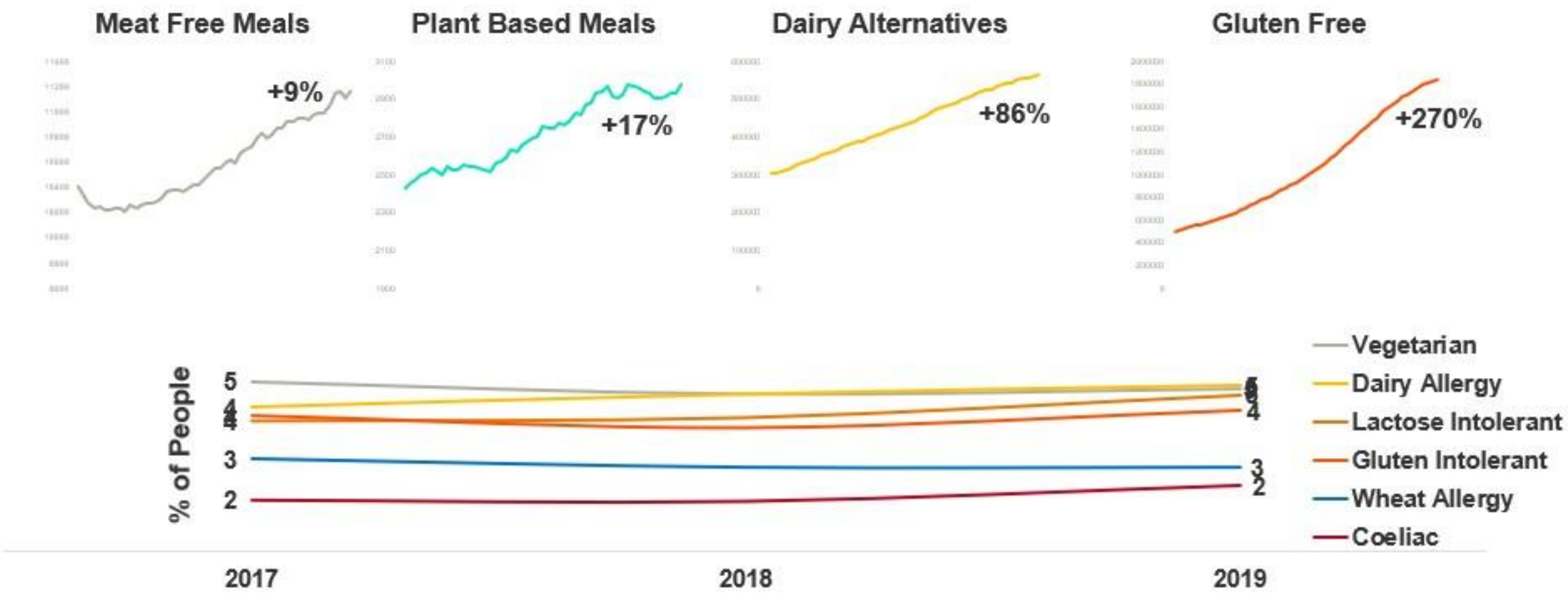
Plant-based diets aren't a new concept. However, the industry is growing faster than ever before. It is estimated that by 2025, vegans and vegetarians will make up a quarter of the British population and flexitarians just under half of all UK consumers, according to Sainsbury's Future of Food report. This growth has been amplified even further in recent months during the pandemic.

Whilst the foodservice industry as a whole has taken a significant hit in the short term; the food sector remains safe to some extent as it is a necessity. To adapt, many have had to pivot their businesses to create safer experiences for customers. For instance, many independent retailers have begun limiting the number of people in-store and introducing home delivery options or curbside pickup.

Similarly, supermarkets have created one-way systems and limited the quantity you could buy of certain items. Our shopping habits have changed as a result, and we now make fewer trips but with an increased total basket spend.

What consumers are buying has also changed. Over half of UK consumers (55%) now claim they are considering or actively reducing their meat intake, according to IGD ShopperVista. There are several reasons behind these changing attitudes, including a shift towards prioritising our health and wellbeing due to the pandemic.

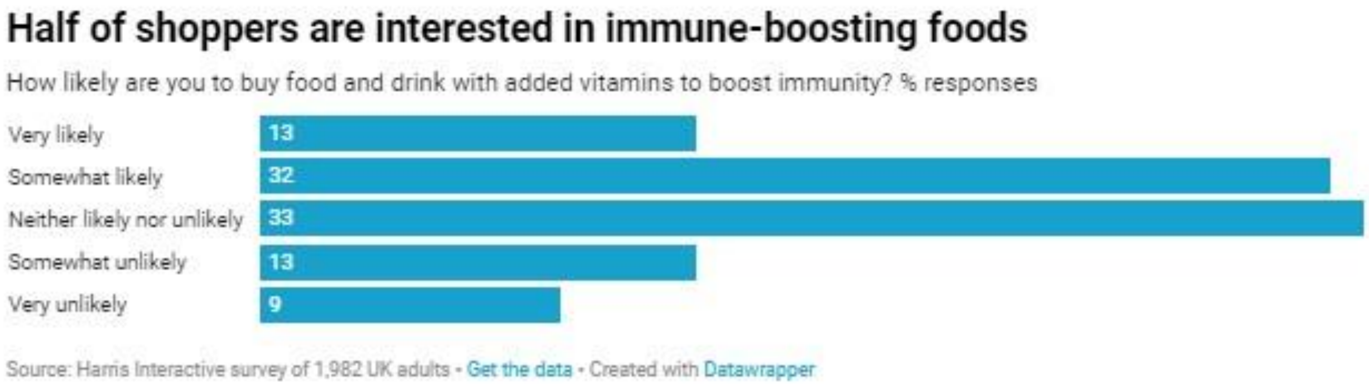
Growing health needs are not driven by vegetarians or medically- diagnosed consumers



The data highlight the opportunity to target flexitarians specifically versus assuming plant-based and meat-free is only for vegans. The 'meals' occasion is in huge growth, with plant based scratch cooking fast becoming a weekly occurrence.

Action: Consider highlighting plant-based or vegan friendly on the packaging of your product and in key messaging if it is suitable to your range.

Trend case study Immunity



Immune boosting product claims are growing

Immunity has become big business. In the wake of Covid-19, Brits are no longer taking their body's natural defences for granted. The vast majority (79%) say they have become either slightly or much more concerned about their immunity in the past year, according to an exclusive poll of 1,982 UK adults with Harris Interactive.

That's had clear implications for the food and drink industry. Just a year ago, the appeal of immunity-supporting products was largely confined to the 'wellness' set. Now, they are a mainstream proposition. With that wider appeal has come a spate of new products touting their links to immunity. In the first ten months of 2020, 1.7% of global launches boasted some kind of claim, according to Innova Market Insights. Five years beforehand, that figure stood at 1.0%.

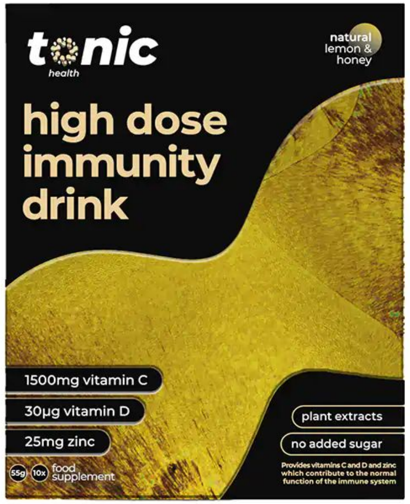
The growing interest in immunity-focused marketing has been noticed by Chris Blythe, owner of the design agency The Brand Nursery. "What the last year has done has brought health more into focus for the UK – that sense of wanting to do the best for your body," he says.

So just how big can immune-supporting food and drink get?

So just how big can immune-supporting food and drink get? What is the key to success in this market? And is there an opportunity beyond the immediate health concerns presented by Covid?

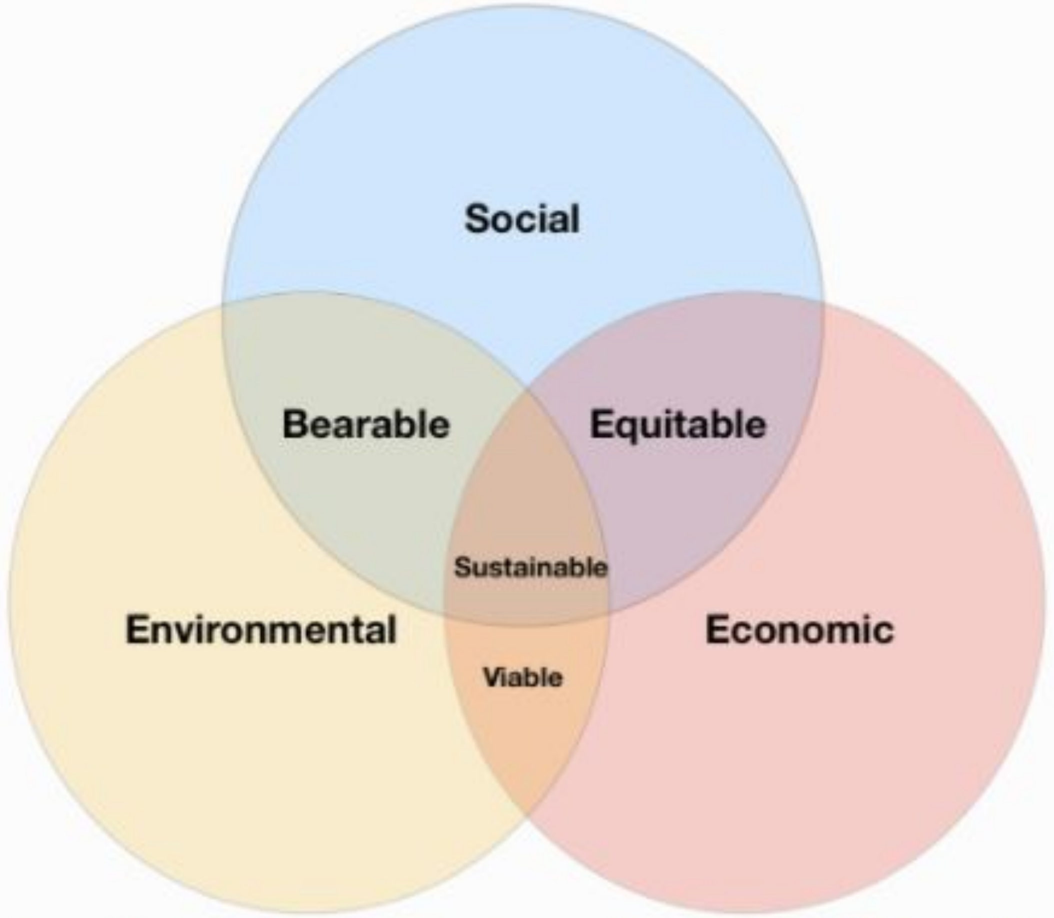
The idea of immune-supporting food and drink seems to resonate with consumers. Four in 10 have bought some form of food and drink to help their immune function since the onset of the pandemic, a survey with Harris Interactive revealed.

Although that will include naturally healthy foods such as fruit & veg, shoppers are just as open to products that are specifically engineered to support immune function. A total of 45% of respondents to our survey said they would consider buying food and or drink with added vitamins.



Brands such as Tonic health have experienced rapid growth in 2020 and has secured national listings with Sainsbury's and Holland and Barrett.

Trend case study
Conscious brands



A majority of consumers today look for products that can help them live a more sustainable, socially responsible life. Assuming taste and price are often roughly equal, the modern consumer prefers sustainable food brands and adds them to their digital and physical shopping carts daily.

[-] ECOVIA INTELLIGENCE

Communicating a purpose is important

Now more than ever, consumers are checking for sustainability credentials of brands and products and trying to find alignment with their own values and beliefs. Survey finding reveals that 38% of UK consumers always check a brand's ethical and environmental credentials as part of the purchase decision. It appears the pandemic has increased the desire for sustainable brands, with 72% of consumers planning to changed shopping habits to be more environmentally aware. Key focus areas are reducing their carbon footprint, understanding and questioning product transparency and how that product is delivered.

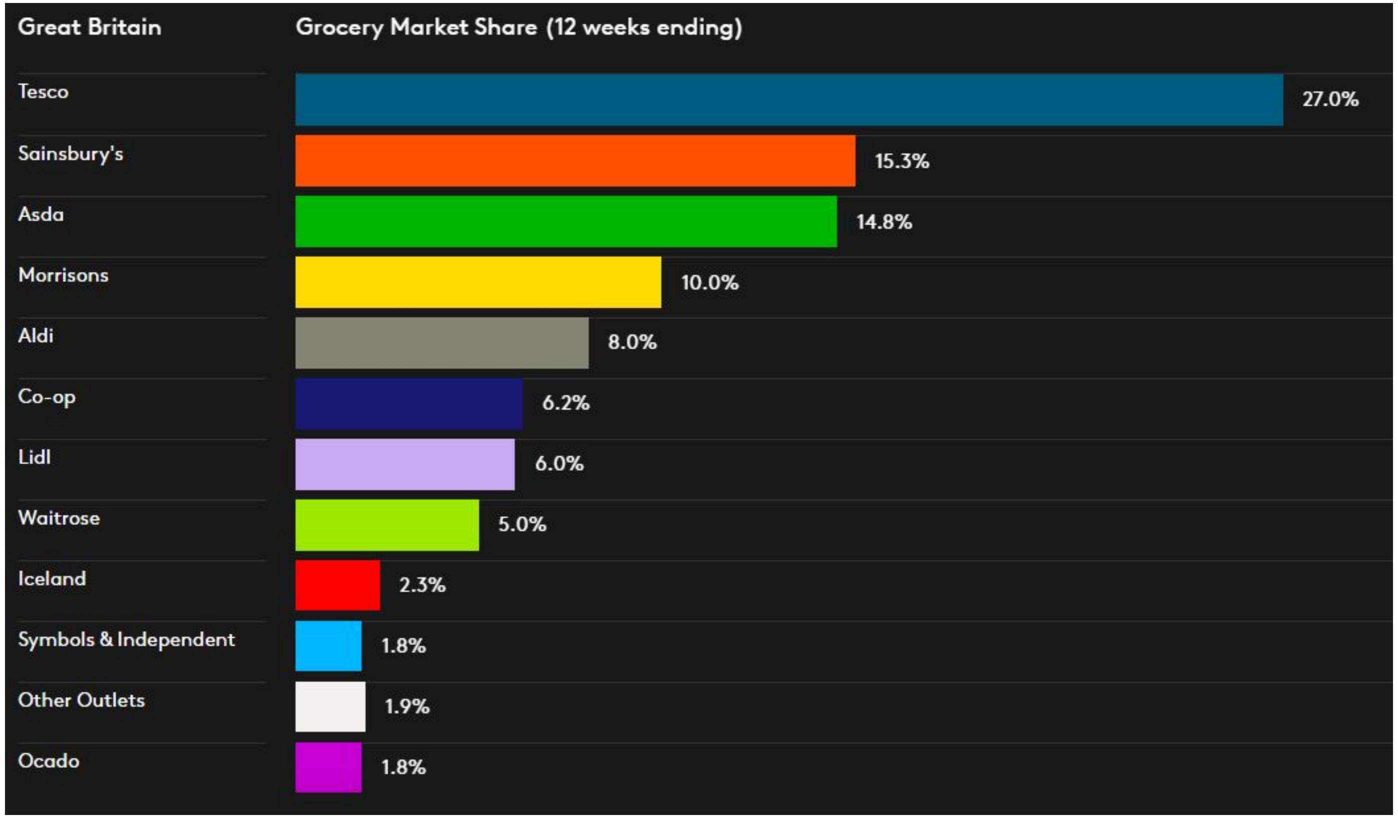
Brands that are vocal and have a clear purpose beyond profit are strongly linked to higher levels of customer loyalty and lifetime customer value. Even small changes such as reducing packaging, charity partnership and sharing information of supply chains help build up consumer trust.

Action: How would you communicate your brand purpose and ethical credentials to a UK buyer? We would recommend exploring; Bcorp, 1% for the Planet, Organic/Soil Asso/Food Standards, Charity partnerships.

UK retailer overview

Market share

"Prior to the popularity of the discounters, the grocery retail market was dominated by the 'big four' supermarkets: Tesco, Sainsbury's, Asda and Morrisons. On the back of the post-Brexit uncertainty and growing inflation, however, consumer behavior has shifted in favour of cheaper alternatives such as Aldi and Lidl. The resulting 'price wars' have led to supermarkets lowering their prices. Crucially, this has caused increased volatility in the grocery retail market and, as of January 2017, Aldi overtook the Co-operative to become the fifth largest supermarket in the United Kingdom. After a period of intense competition Lidl overtook Waitrose and is now poised to likely overtake the Cooperative in the coming year."



UK Grocery Retailers

The UK supermarkets are amongst the most respected in the industry.

It's worth considering where your product & brand sits and who might be the right UK Grocery partner.

There's an additional layer and competitiveness across retailers, where many now expect a period of exclusivity against rivals.

It is worth noting the difference in retailer margin expectations and whether or not your brand can withstand such financial pressures.

RETAILER	STORES	DEMOGRAPHIC	MARGIN
Sainsburys	1,415	Premium	40-50%
Waitrose	338	Premium	45%-50%
Tesco	3,968	Everyday	45%-50%
M&S	615	Speciality	50%+
Co-op	2,600	Everyday	40-50%
Lidl	800	Discounter	40-50%
Aldi	366	Discounter	40-50%
Asda	631	Everyday	40-50%
Morrisons	494	Everyday	40-50%

Key retailers – High St

High-St multiples can help achieve great nationwide coverage but comes with bold margin, price and support expectations. Some are more progressive with young, new brands than others.

RETAILER	STORES	CHANNEL	MARGIN
WH Smith	1,100	Travel	50-60%
Boots	2,500	Pharmacy	50-60%
Superdrug	800	Pharmacy	50-60%
Ocado	1	Online	40%+
H&B	715	Health	55-75%
Booths	28	Speciality	40-50%
Starbucks	1,025	Coffee	*
Costa Coffee	2,467	Coffee	*
Caffe Nero	633	Coffee	*
Pret	373	QSR	*

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Online is the strongest growing channel across all the multi-channel retailers

The supermarket channel is in decline in Asda and Sainsburys, holding back overall growth

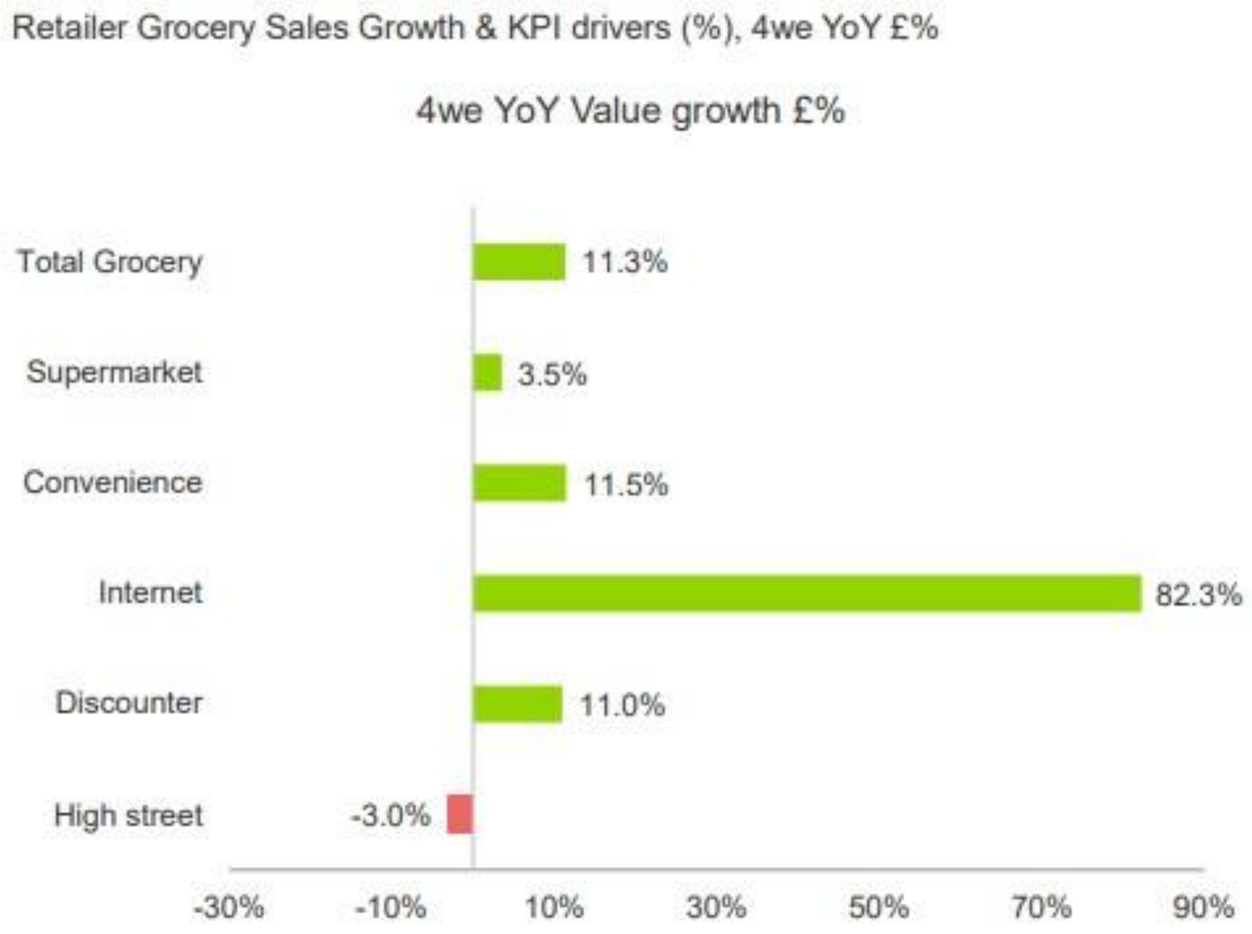
At the height of Covid, regardless of food shopping still being allowed, people choose to find online and local alternatives rather than risk being in a supermarket environment. Demand maxxed out overnight with many of the key retailers unable to cope with demand, pushing customers to competitors. They are slowly encouraging consumers back to stores.

The rise of online retail

The UK has one of the most sophisticated online grocery markets in the world. The growth in this channel has been further accelerated by COVID. As social distancing and lockdown restrictions increased, fewer shoppers wanted to visit a physical store, instead opting for online Grocers and food retailers. With 6.6% of consumers saying they will increase online grocery shopping post-pandemic and research by Ubamarket finding 38% of UK shoppers are ordering more groceries online than pre-Covid, it's a channel that looks to benefit from our changed behaviour.

D2C sales were worth £96 billion to UK manufacturers in 2020 and set for continued growth over the next 5 years. It's being driven by consumer demand for a wider choice, believing they'll get a better price directly & better service with 27% of food & drink products being purchased via D2C channels.

ACTION: A different investment is required for online & internet based retailers as there are different ways of standing out & getting in front of consumers



Category specific

Cheese


THE CHESHIRE CHEESE COMPANY
VINTAGE GOLD
SPECIAL EXTRA AGED
BLACK BOB
EXTRA MATURE
CHEDDAR
TRADITIONAL
CHESHIRE

Cheese is a category in growth

The value proposition, versatility in scratch cooking and longer shelf life provided a boost to cheese sales over the past 12 months. Cheddar cheese remains the most popular choice with Cathedral City remaining the dominant brand in trust & taste, closely followed by Pilgrims Choice.

Cheese benefits from the growth of a flexitarian diet, high nutrients and being a good source of protein, providing a huge opportunity as an alternative to meat-based meals. With increased consumer interest in animal welfare, traceability and environmental concerns, brands can focus on provenance, transparency and eco-friendly packaging to win loyalty.

With supermarkets remaining the most popular place to purchase cheese, brands that offer premium innovation and help reassure consumers will become attractive to buyers. With only Tesco & Asda out of the big 4 reporting growth in the cheese category in the past 12 months, the discounters would be worth a consideration. This is further supported by Kantar data showing brand & own-brand are growing at the same rate.

Kantar: cheese sectors by value

Cheese sectors by value			
	Value (£m)	% difference	Market share
Cheddar	1403.7	0.3	47.5
Continental	555.5	4.5	18.8
Processed	298.8	2.4	10.1
Soft White	236.2	2.2	8.0
Territorials	231.6	1.3	7.8
Mini Portions	134.9	17.4	4.6
Blue	94.6	2.2	3.2

Retailers		
	Category value	% growth
Tesco	25.5	0.6
Sainsbury's	14.2	-3.0
Asda	14.1	2.6
Morrisons	9.8	-3.1
Aldi	9.3	12.6
Lidl	7.1	10.8
Waitrose	5.7	-1.0
The Co-Operative	5.2	6.7
Iceland	2.3	1.9
Marks & Spencer	2	4.8

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Packaging formats

Trends in this space are towards versatile, speciality style cheeses with lots of information on transparency and animal welfare. Many brands opting for traditional wax seals & artisan-style packaging to emphasise quality and premium. Awards play a strong role in introducing consumers to new brands.

- Dependent on type/category within cheese. Mixture of slices, blocks, shredded, wheels/trunkles, logs
- Traceability and animal welfare is high on the agenda
- Label include allergens, ingredients, nutritionals, additives, packaging, sourced origins, strength

ACTION: How can your cheeses stand out in the chiller? What local traditions can you emphasise in your branding?

Speciality cheese vs Block cheese

- Both formats may belong to the same category, but the way shoppers approach block and speciality cheese is very different.
- Speciality cheese is more of an indulgent purchase than a standard block. As many as 62% of shoppers claim they buy speciality cheese because "they feel like it" compared with 15% for block cheese.
- Competitive prices are more important in block cheese. Everyday low prices are important in this category.
- Two thirds of shoppers say they aim to always have a block of cheese in their fridges whilst speciality cheese is an occasional treat so consumers are less price sensitive.
- Block cheese is often eaten at work or used in lunchboxes (23% and 13% of shoppers). Speciality cheese is eaten more as a treat (24%) whilst relaxing in the evening (21%).

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Useful resources

- [Compassionate farming]
- [RSPCA Claim guidelines]
- [Soil association]
- [Organic milk dairy]
- [World Cheese Awards]
- [Virtual Cheese Awards]

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Wine

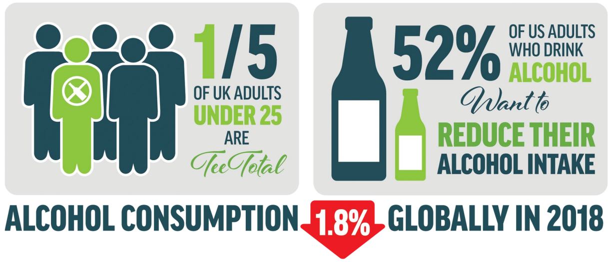

VINO DE PARCELA
LA SOLANA
VINO DE PARCELA
EL CIRUELO
TRENZADO
VINO DE PARCELA
LOS PASITOS
7 FUENTES

The impact of COVID-19 on wine sales

The reduced social occasions and a nationwide shift towards health & wellness, the wine category was hit hard by Covid. However, a bounce-back in sales is expected with new format innovations such as canned wine and boxed wine attracting a younger demographic and lending itself to a wider variety of usage occasions such as outdoor events.

Prior to Covid the total still, sparkling & fortified wine market grew by 9% over 2014-2019 with value sales expected to rise, but volume sales being hindered by alcohol moderation trends. Among the key attributes that consumers were willing to pay more for were a good vintage, transparency & provenance and quality awards.

In recent years, there's been a significant reduction in alcohol consumption, driven by the younger demographic and the health impact of alcohol.. Across the category there's growing demand and repeat purchase behaviour for 'no & low' making it easier than ever to become teetotal. Larger brands in this space such as Koppaberg & Budweiser are innovation in this space showing it's the direction the market is moving into.



ACTION: Worth exploring the possibility of a lower % wine as a point of difference to tap into the no & low trend.

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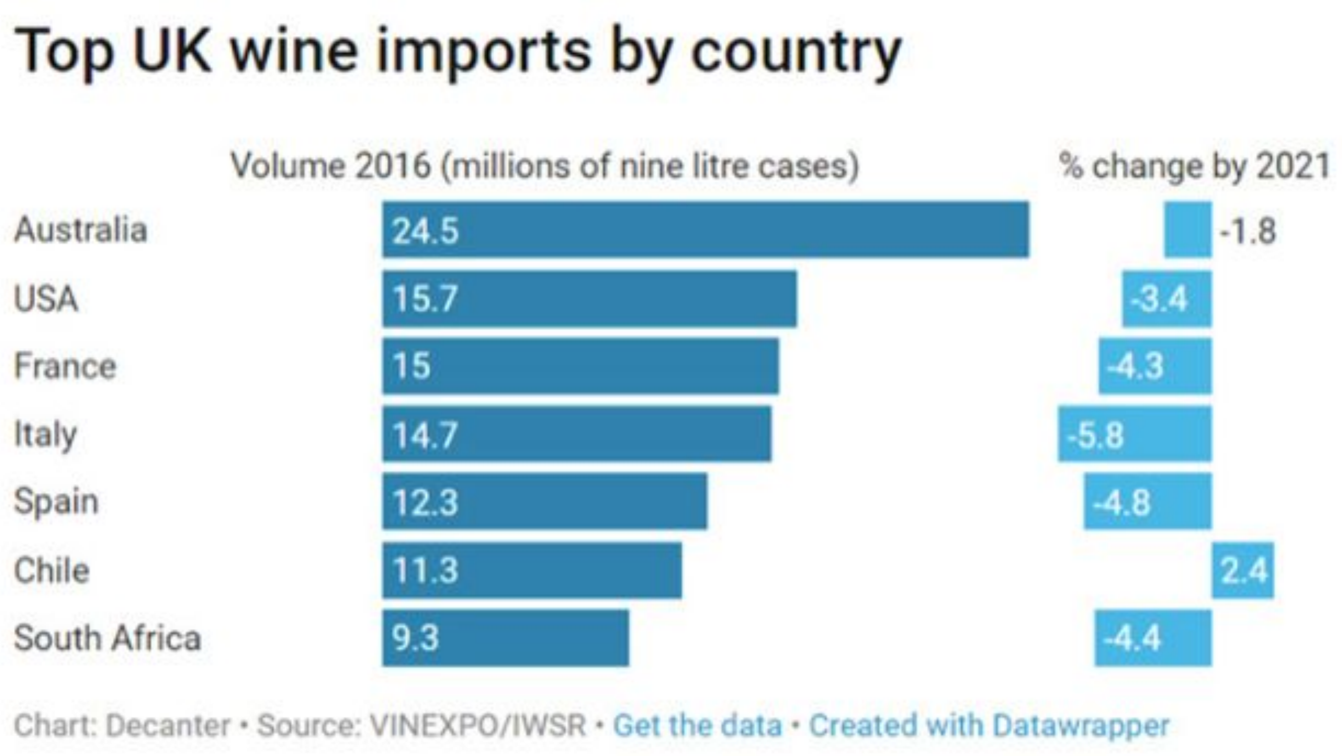
Wine pricing

Around half of all wine sold in the UK, supermarkets are sold between £5.00- £7.00. This volume rose from 50% a year ago to 53% during the lockdown, while the volume of wine sold priced between £3.00 and £4.99 fell by 8%, down from 39% a year ago to 32% during the period (to 8 August 2020).

The average price of a bottle of wine in the UK was expected to break the £6 barrier for the first time this year, according to the Wine & Spirit Trade Association, up from £5.93 in 2019 and £5.73 in 2018



Wine packaging

Wine sold in the UK is typically 75cl sold individually or cases of 6 bottles. Labels include country of origin, tasting notes/characteristics, closure, grape, units, ABV, style, vintage and vegan/organic certification where appropriate.

Packaging innovation has seen a sharp rise in cans, bag in box and even “flat” wine bottles in recycled PET, offering sustainability claims. -

ACTION: Is there an alternative packaging format that can help you stand out in the category? Cans and boxes offer portability and ‘summer’ occasions while premiumisation is on the rise. British consumers associate the Islands with holidays and outdoors recreation - can you “bottle / can the flavours of the ocean wines”? The unique vineyards of the Canaries growing on volcanic soils merit their own fantastic story, and this provides an opportunity to differentiate against other developing regions. Spanish wine has a strong following in the UK, and so playing to this reputation for quality should help amplify the message to consumers.

Useful resources

- UK Wine labelling guidance
- Allergen wine labelling guidance
- Export Health Certificates" & "Rules of Origin" for UK/EU trade
- Drink aware unit testing

Tree syrups

The UK is looking for healthier sweeteners

The European Flavoured Syrups market was worth $11.38bn in 2019 and estimated to be growing at CAGR of 3.82% to reach $13.72Bn by 2024. This growth is mainly driven by factors such as growing consumer demand for a range of flavours in food products, including custom-made flavour choices and ever-growing demand for convenience. The category's major competition is from jams and honeys, chocolate spreads and other preserves.

With 'healthy alternatives' one of the main focus areas for Public Health England and the increased awareness and negative PR around sugar, the demand for low or sugar-free food and natural ingredients is expected to continue. Consumers are actively moving away from refined sugar and exploring sweet alternatives such as dates, honey, fruit puree and agave syrups. Dates in particular are the front-runner as a sugar replacement with some of the leading brands using dates & fruit syrups to meet industry targets.

There are already a number of natural sweeteners within the UK marketing including honey, maple syrup, agave and date syrups that have achieved success and a good level of education around the product usage and key USP's. Building on this success, the natural sweeteners market is projected to rise in the next 5 years as health and cutting out sugar and artificial ingredients remaining high on consumer agenda's.

Packaging format

Typically Between 180ml-350ml glass jars or squeezable syrup bottle

Label includes type of sweetener, usage, ingredients, allergens, storage, nutritionals, dietary requirements, manufacturer origin, net contents, best-before date

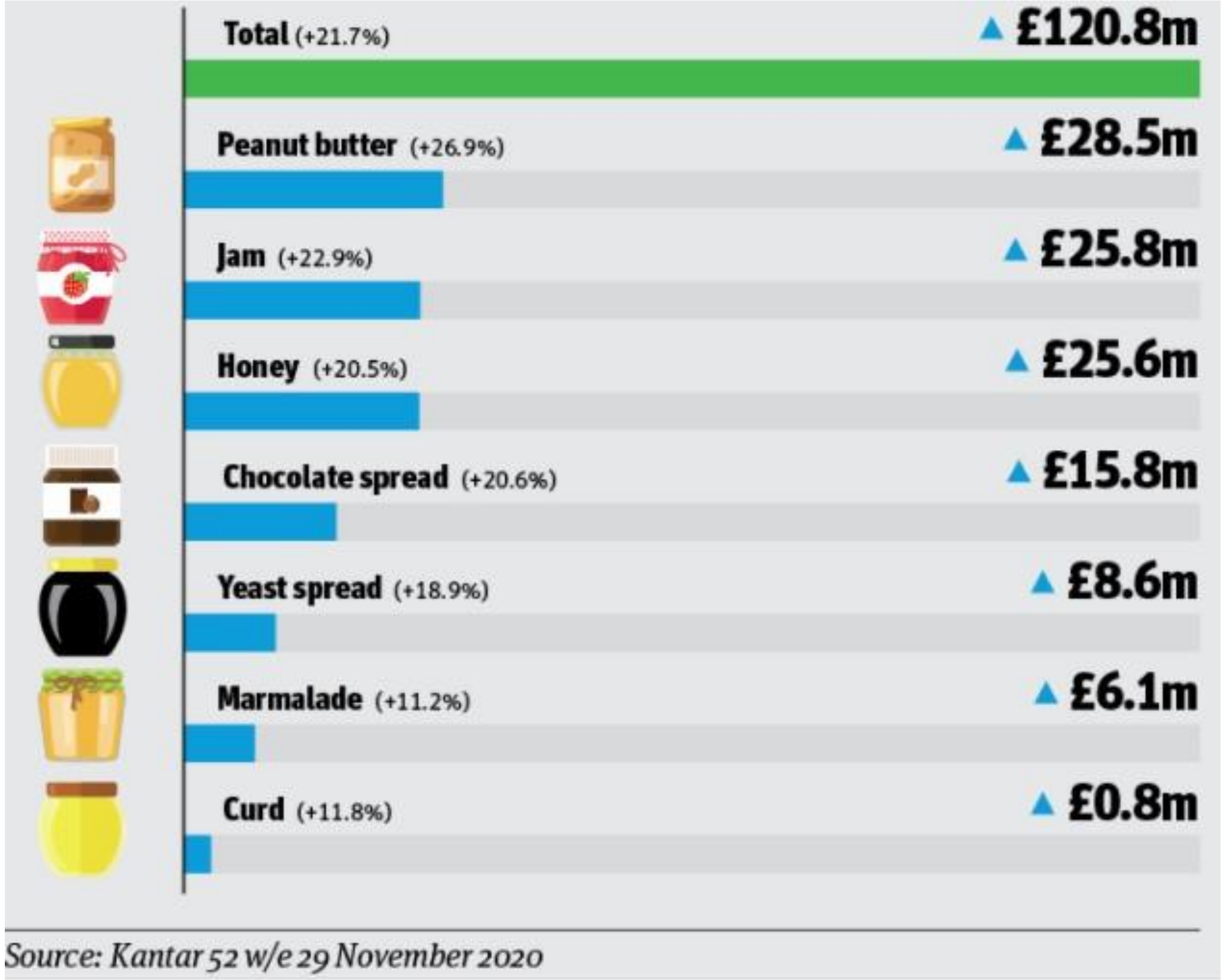
Packaging trends appear to be around the easy-to-use squeezy bottles with branding and imagery highlight the 'natural' element of the syrups to avoid negative associations of sugar. For more premium products bottles and tins are favoured. Introducing Palm Tree Syrups requires PR, education about usage & versatility, nutritional credentials versus regular honeys/syrups. It is also important to avoid the negative association with Palm Oil, which is on the hit list of many consumers to remove from their food system.

ACTION: Consider how your products might meet HFSS and dietary requirements, including KETO and plant-based trends. Can it replace honey for vegans as a means of attracting early adopters?

Useful resources

- Vegan food awards
- Quality food awards
- Advice on importing sugar and sweeteners
- Food labelling advice

Jams and spreads



Jams and spreads

There's been a surge in value sales up by 6.2% and volumes up 5.2% resulting in honey being Britain's favourite spread (World panel Kantar 52 w/e 10th Nov).

Alongside honey, nut butters, lemon curd & chocolate spread have also had a good year with both volume & value increases. Marmalade & yeast spreads have struggled while jam rose by 1.8% contributing to total category growth of 4.5% to £439.9m

With rising health concerns and action against sugar high on the agenda, jam brands are looking for ways to replace sugar with alternatives like fruit concentrates & pushing innovation of low/sugar-free options.

Consumers are continually looking for low carb, low-fat healthier alternatives that still deliver on taste. There is also evidence that: "Shopper numbers haven't decreased despite all spread sectors becoming more expensive. Shoppers are willing to spend more on the category. They're choosing more premium products". (Sam Jenner, Kantar)

Packaging format

A range of traditional glass/plastic jars between 110g-370g

Label includes ingredients, storage, usage, production address, shelf life, nutritionals, dietary requirements, origins, allergens, weight, product descriptions

Premium, exotic, recipes & usage work well – Possible block is the current focus on sugar reduction/sugar & calorie targets

As consumers explore new ideas in food the innovation in this space has come from exotic flavours and NPD, including sustainability around waste fruit. Meanwhile the glass jam jar format remains the norm, as this example of strawberry jams shows. There may be opportunities to highlight the versatility of a cactus jam and consider the usage occasion. I.e a squeezy bottle or sauce bottle could be easier to use?

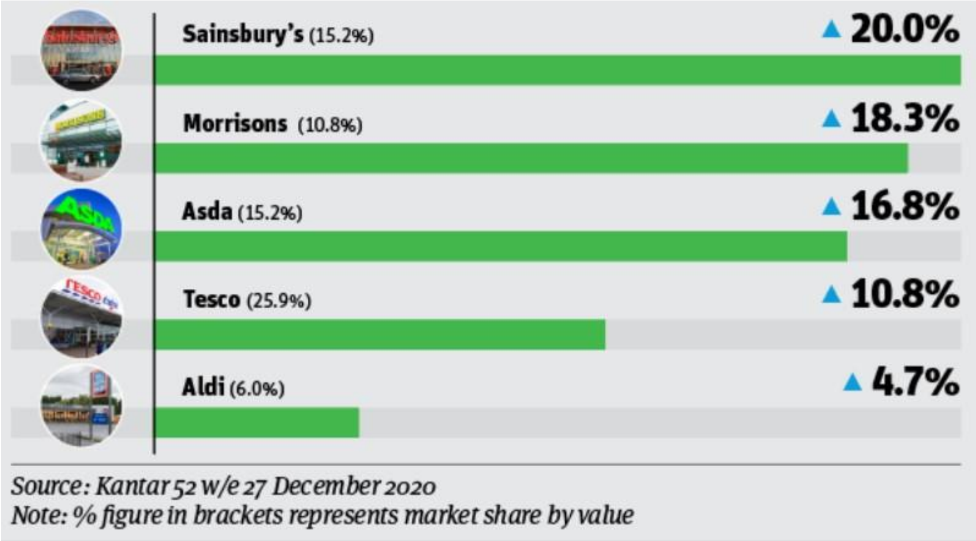
ACTION: Are there specific nutritional or dietary benefits that can be highlighted for cactus jams and conserves?

Useful resources

- Labelling Jam
- Food standards advice

MISSION VENTURES

Cooking sauces



Sauce sales are rising

The cooking and pasta sauce market saw a boost in sales thanks to the COVID-19 pandemic, with the closure of foodservice venues seeing many consumers trying to recreate restaurant-quality cooked meals at home. There was a 19.2% rise in value sales for cooking and pasta sauces in 2020, with January lockdowns extending the period into 2021.

Even as lockdowns lift and foodservice venues reopen, there will be a long-term trend towards homeworking. This provides an opportunity to continue to market towards lunchtime sauce occasions. While the return to eating out occasions will see a decline in sales of 9.2% in the next 5 years, the continued worries over socialising will curb the dining-out market.

The main threat to the market going forward is the financial pressures and economic uncertainty coming out of the pandemic, with many having experienced a loss in income and job insecurity. With 50% of buyers price is going to become more of a factor in consumer choice.

64% of sauce buyers agree that homemade meals are a good alternative to restaurant food, potentially indicating more opportunities in the market for easy-to-use home-cooking sauces.

Packaging formats

Chilled & ambient salsa available – Majority own-brand in glass jars or squeeze bottle 230g-300g

Label includes ingredients, nutritional's, allergens, preparation & usage, country of origin, barcodes, shelf life

There's a lack of premium, country-specific sauces & salsa's, with an opportunity to promote with recipe ideas, education of ingredients & versatility within cooking. [Sauce Shop] has seen great success recently by offering a mix of traditional and more adventurous sources with clean, modern packaging.

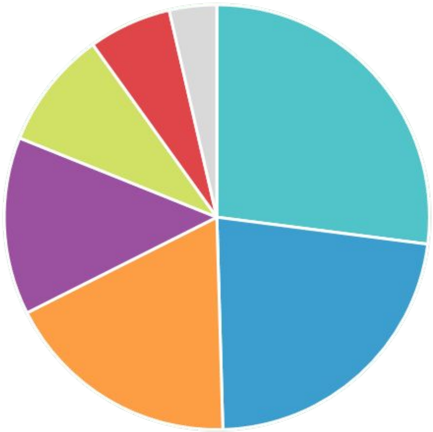
ACTION: Consider the pack format. What's the right format of Mojo for the UK shelves based on a chosen route to market? Does the packaging stand out on shelf and clearly communicate the usage occasion to the consumer?

Useful resources

- Low fodmap condiments
- Packaging and labelling advice
- Labelling advice

Protein drinks/ Gofio

Sports Nutrition Market: Market Share (%), by Country, Europe, 2018



Source: Mordor Intelligence

The UK has a developed sports nutrition market

An increased focus on health, fitness and exercise in Britain is the key driver for growing interest in protein and supplement products and brands. Back in 2018, Business Gateway reported gym membership had hit an all-time high, "with one in seven Brits regularly working out, swimming or doing other forms of exercise at gyms or health clubs" helped by fitness influencers and the association with fitness & fashion. Since then Covid-19 has put a spotlight on personal health and well-being.

This movement has created a new generation of protein evangelists and sports-orientated snacks and drinks. Matt Hunt, founder of the Protein Ball Co, who expects his business to grow by 50% in 2021, thanks to booming exports. "High protein products such as bars and RTDs were once the go-to for bodybuilders and athletes, but the market has exploded in the past few years, along with the general awareness of the importance of protein in the diet."

The UK is a large market within Europe for Sports Nutrition, close behind leaders Spain. Approximately half of consumers here claim it is a part of their everyday diet. The focus on protein has seen a strong rise in bars, drinks (powders & RTD) and even bagged snacks as a means of introducing more to consumer diets.

Packaging format

Size range between 100g-1.5kg + & foodservice opportunity. Resealable pouch, paper food-safe bag

Label include ingredients, allergens, nutritional's, storage, packaging material, milling process, origin, dietary requirements, shelf life, free-from

Case Studies: Huel & Grounded have had a big impact on the protein and RTD meal category, both offering different formats and bold colours and branding, looking 'clean' versus the traditional dairy shakes & muscle-led products.

ACTION: Do you envisen Gofio being plant-based or dairy-based? Would it be powdered or in a RTM format? There's a huge opportunity for plant-based proteins and replacement meals with Gofio looking well-positioned to develop a strong range in this category

MISSION VENTURES

Useful resources

- Soil Association
- Flour information
- Four regulations

MISSION VENTURES

Aloe juice

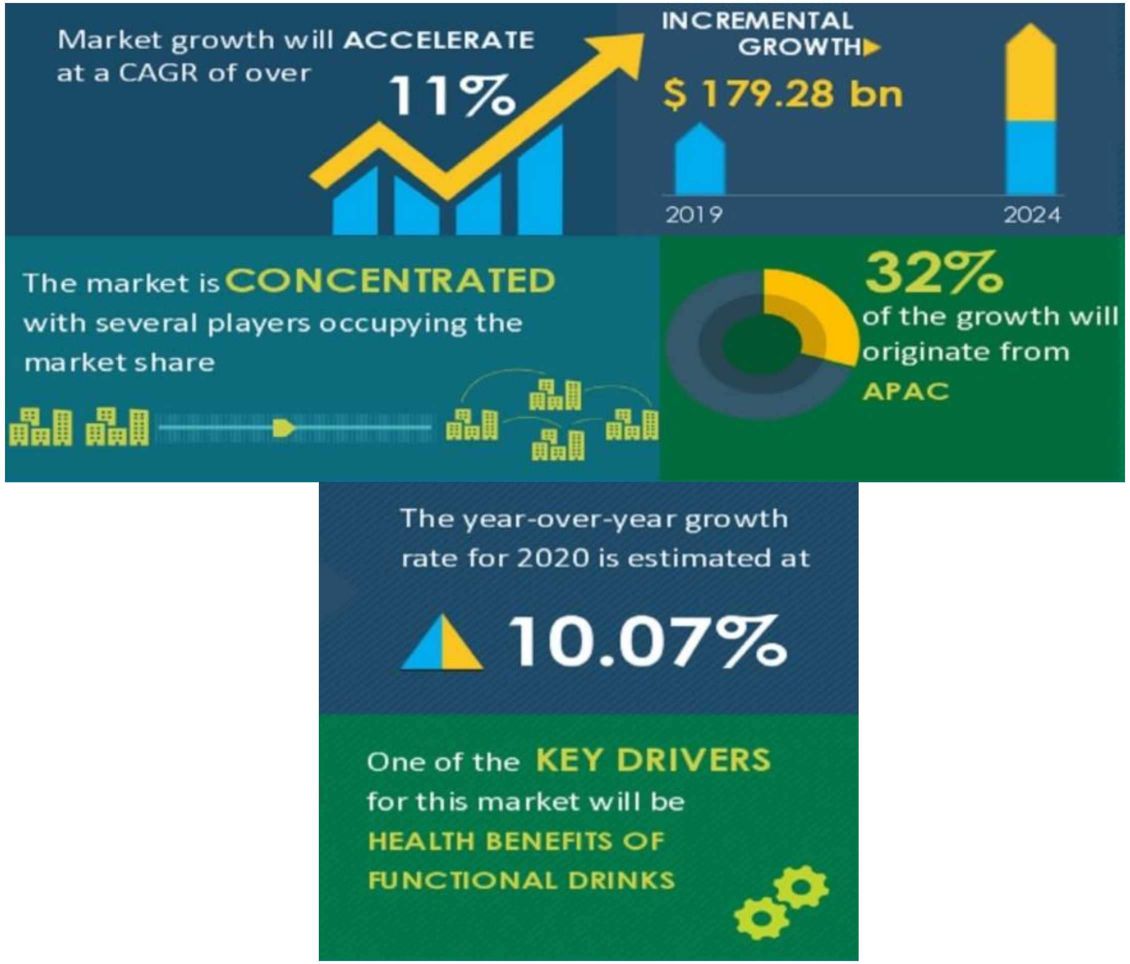

FRESH NATURAL TASTING ALOE VERA
INNER LEAF GEL
simplee aloe
NATURAL & ORGANIC
ALOE VERA
FOOD SUPPLEMENT
ORIGINAL
20 SERVINGS PER BOTTLE
+ No artificial preservatives
+ Made with inner leaf gel
+ Guaranteed 1200mg/L of polysaccharides
SOIL ASSOCIATION ORGANIC

Aloe Drinks

As highlighted previously in the report, success around immunity boosting food & drink has been high with many functional brands performing strongly. This trend was present prior to Covid but has been exacerbated by a desire to build a stronger immunity and prevent infections. There is also a growing awareness of the fibre gap in British diets, leading to a growth in products supporting fibre and gut health.

Products and brands offering sufficient level of key nutrients such as vitamins C, D and contributing towards gut-health and overall wellness are key drivers in the demand for functional drinks, which is something Aloe is well positioned to take advantage of. In November 2019, Imbibe, the self-proclaimed "Drink Tank" for UK challenger brands, said "2020 will see a new generation of functional drinks emerge with demand for beverages that support physical & emotional health to continuing to be a catalyst for innovation".

One trend in particular that is fast gaining traction is performance enhancing drinks and formulating products that have genuine proven results rather than empty marketing claims. Testing products within the sports community and working with nutritionists to prove credibility, along with transparency about how the ingredients, will help in gaining loyal followers. This infographic shows the global market for functional RTD beverages.



Packaging formats

RTD/Impulse, supplements & health tonic 500ml-1.5l sizes

Label include ingredients, allergens, nutritionals, storage, preservatives, colours, flavourings, manufacturing, serving size, shelf life

Trends & developments: Majority of the RTD Aloe sector is design-led to fit within health or convenience, with recent brands such as Fushi tapping into the premium, medicinal style packaging that will stand out on shelf & demand a higher RRP.

ACTION: Functional shots within health & wellness are growing market share & offering exciting innovative with the health drinks space. Do you have capabilities to consider different formats?

Useful resources

- Aloe market overview
- Aloe drink information
- Drink regulations
- Aloe vera quality standards

MISSION VENTURES

Salt

Salt in the UK market

UK consumers are increasingly upgrading to gourmet salt brands, evidenced with the growth in the category for smoked, sea and pink salt products. In June 2020 Tesco reported that the retailer had seen a 2,600% uplift as consumers grow more conscious of their salt intake. They now stock eight different gourmet salt products, outnumbering the table salt products for the first time. Whilst overall salt sales remain flat, the gourmet range now accounts for 40% of total salt sales at Tesco with sub-category growth as follows:

Smoked Salt up 250%, Sea Salt Crystals up 2,600%, Himalayan Pink salt up 2,000%, Rock Salt up 2,000%.

This is credited in part to the increase in scratch-cooking precipitated by the pandemic lockdowns. The growth in preserving products at home has also played a part in the overall growth of the category.

Increased health awareness and pressure on retailers and food service companies to reduce overall salt in prepared foods will exert downward pressure on volumes but it is expected that gourmet salt will remain a growth category as TV chefs and home cooks promote the higher mineral content and solubility of speciality salts, where the strength of a product can lead to a 30% reduction in volume usage levels for the same taste impact.

Category specific – Salt

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MISSION VENTURES

Packaging format

Typically a varied selection of bottle, jars and plastic pots, with some brands in bag-in-box.

Increasing number of speciality gift sets, typically boxed with a range of gourmet salts

There are few limits to the imagination when it comes to packaging gourmet salt. Brands should consider how to accentuate any health credentials in their product descriptor.

ACTION: With the increasing interest in home-cooking and experimentation with flavours, consider how the unique qualities that form salt from the Canary Islands can be expressed to the home chef. Are there different seasonings you can develop that will provide an opportunity for gift sets that could work well to introduce the products to D2C and delicatessen consumers?

MISSION VENTURES

Useful resources

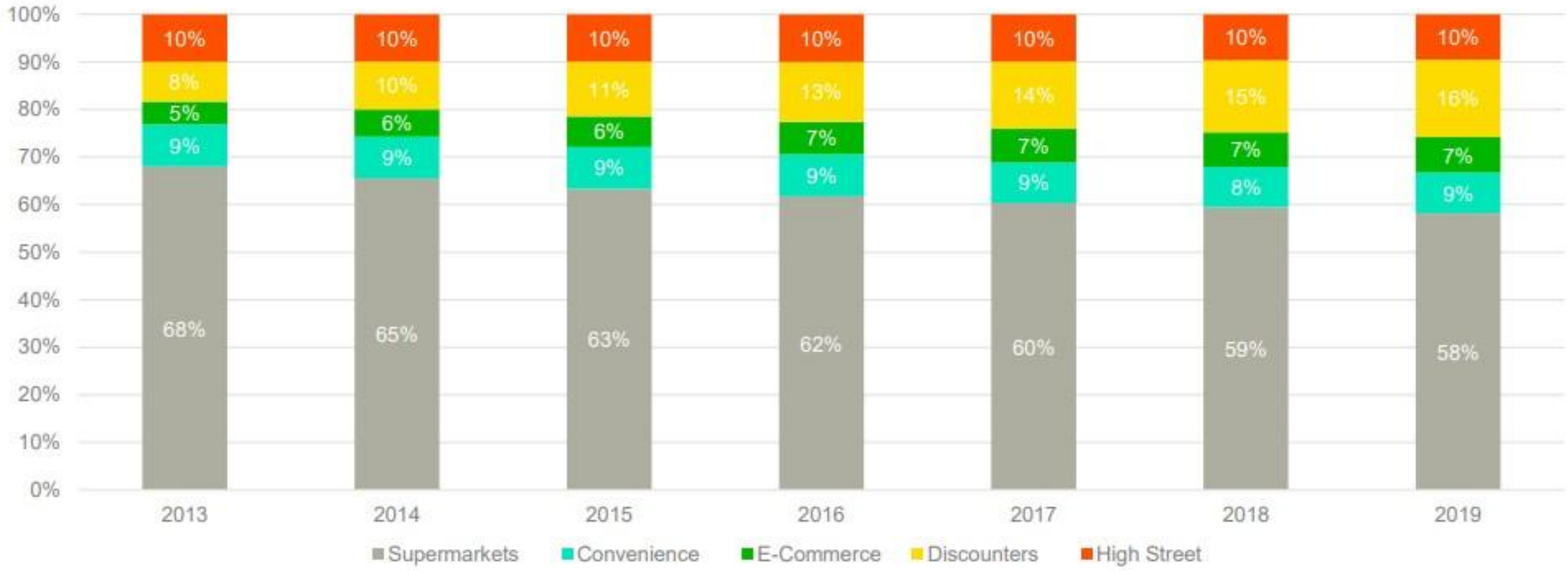
- UK packaging advice
- UK labelling advice

MISSION VENTURES

Routes to Market

The channel landscape is still dominated by Supermarkets but there has been a steady movement towards online and discounters.

UK Take Home Groceries – Channel Shares - £%



Retail go-to-market overview

Within FMCG there are a variety of options for a new brand, but it's important to consider things like investment, cashflow & account support commitments alongside your business targets. Despite Grocery being the main focus, there are huge opportunities available within wholesale and foodservice that tend to be less competitive. Brands must also factor in consumer product education and building brand awareness to build demand. This is where D2C can help to seed a market with early adopters.

WHOLESALERS

Wholesalers tend to be the most accessible for new brands requiring a route-to-market. They vary across local & national, specialist or general, premium or everyday and can achieve good volumes with the right support in place.

New products require evidence of sales, promotional & marketing support and strategy for growing revenue (i.e field reps).

GROCERY

Grocers and High-St multiples can give you volume and visibility but it doesn't guarantee sales. Buyers will expect marketing spend, higher margins and for you to achieve set targets in return for space on shelf.

There are now retail specific 'accelerator' programmes for new brands offering category innovation.

FOODSERVICE

A product might be more relevant as an ingredient within catering, where there's a huge opportunity for bulk buying without the same need for consumer facing marketing & PR.

Contract catering, hospitality, travel & leisure often lack innovation and newness as emerging brands can't guarantee the volume or adapt the format.

DIRECT

The rise of D2C and subscriptions means you can protect your margin and grow your business online.

Whilst driving trial and building up your customer base will take time, it's a great way of testing your product, getting direct customer feedback and gathering data insights you can use for future buyer meetings.

Traditional Route to Market for a brand

ACTION: Expect this process to take up to three years to develop a solid market, dependent on the level of investment in sales and marketing, uptake & proven demand for the product. The early wins tends to come through online retailers and independent channels where you can build loyalty & gain traction.

Online

- A UK specific website is a great foundation to build brand awareness
- Becoming listed on Amazon and several other small D2C sites means you can drive trial of your product and get in front of your target consumers via digital marketing and social media

Wholesale

- Partner with either national or regional wholesalers and work together to convert independents
- Using your customer profiles and existing sales data, research the best channels for your product. i.e Coffee/Cafe

Foodservice

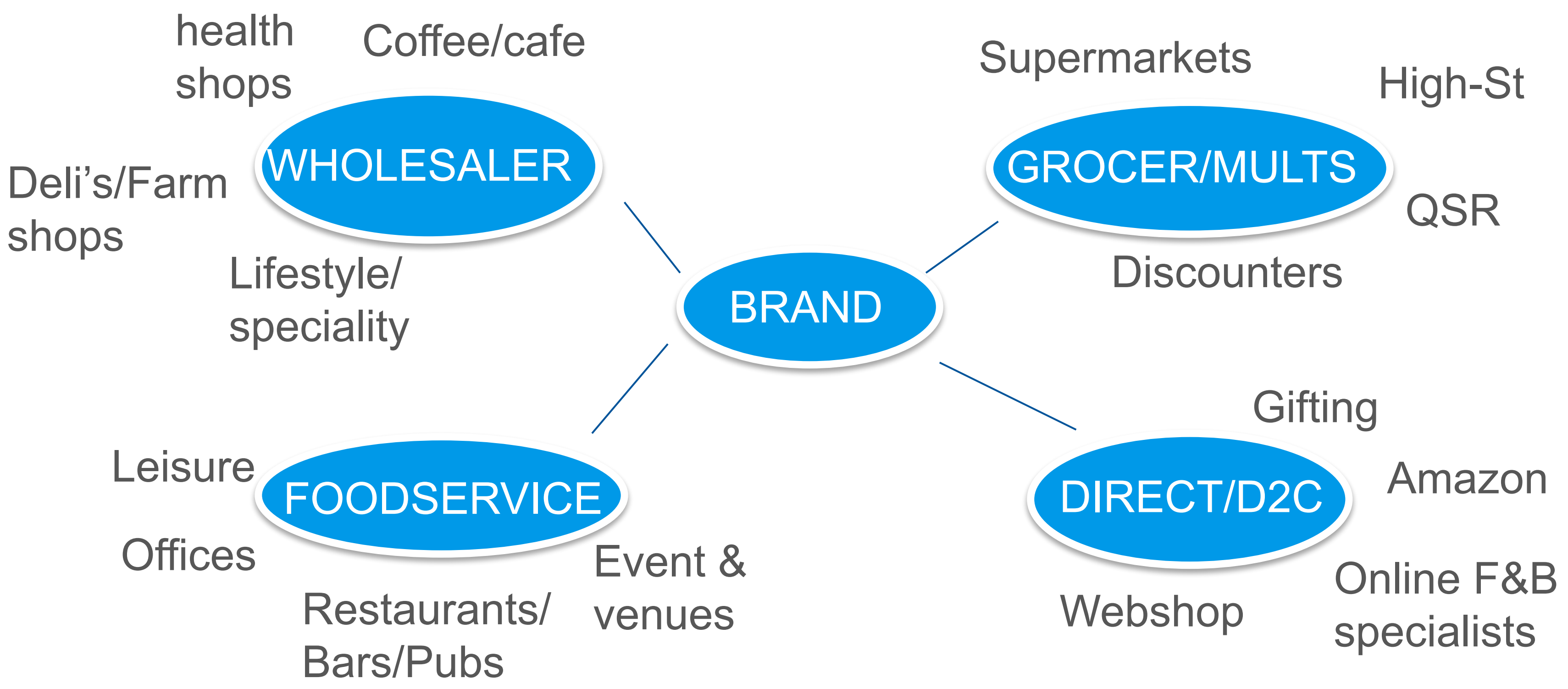
- Start targeting and winning business in the on-trade (restaurants, hotels, bars)
- Explore interest in office canteens, vending machines & hospitality/leisure
- Within foodservice you're able to sell your product as a retail or bulk ingredient

Grocery

- Using the success and sales data from existing accounts, you can approach and pitch for a listing within Supermarkets
- Using your demographic, be selective about your top target. I.e An everyday affordable product may best suit Tesco or Asda but more high value or specialist products may be better for Waitrose or Sainsbury's

High-St

- This category covers high-st multiples across pharmacy, coffee chains, QSR's travel sites & health
- The volumes can vary and the margin expectations are extremely high
- Buyers in this category are looking for products that have UK-wide appeal and consistently strong sales



Retail go to market matrix

Wholesale

Starting at a grassroots level allows you understand the best channels for the product, engage with buyers and consumers directly and maintain control of where your brand is seen. Whilst it takes an investment to actively grow and maintain accounts through field sales and account management teams, increasing sales through trade activity & marketing is cost-effective versus the larger operators.

When selecting a wholesale partner it's worth considering their distribution network (regional or national), whether they are generic or channel specific, understanding their biggest customers and their own sales team structure (telesales or BDM's)

The following slide gives an overview of relevant wholesale partners for each specific category.

ACTION: Further research and conversations are required to select 1 or 2 initial wholesalers relevant for your category. In the beginning it's better to be selective and work with a small group of partners versus spreading yourself thin.

Cheese	Wine	Syrups	Jams	Sauces	Protein	Aloe
• Cotswold Fayre • The Cheese Merchant • Paxton & Whitfield • Fresh Direct • Brakes • Regency Food • Premier	• Matthew Clarke • Amathus • Euro Wines • Artisan Drink Co • Bibendum • LWC Drinks • The Drinks Warehouse	• Suma • Tree of Life • The Health Store • Cotswold Fayre • Diverse Fine Food • CLF • Infinity Foods	• Urban merchants • Springvale • Cotswolds Fayre • Elite Fine Foods • Hider Foods • Auguste Noel	• Fresh Direct • Cotswold Fayre • Epicurium • Suma • Tree of Life • CLF • Premier Foods • Delicious Ideas	• Epicurium • Suma • JD Foods • Tree of Life • Supreme Imports • HTC Fitness • Elite Wholesale	• Suma • Tree of Life • The Health Store • CLF • Infinity • JD Foods • Epicurium • Diverse Fine Food • Delicious Ideas

Food service

This is a larger and more complex market to enter than wholesale with a complicated pricing structure but it can be a great channel for volume and consumer reach. Historically foodservice operators tend to be slower to react to on-trend products but are keen to offer their clients fresh ideas, with site managers taking their inspiration from independent shops. The sales approach needs to be both at a site and senior buyer level to win the business and gain traction. Dependent on the operator & foodservice partner you're working with, you'll have to win a listing with their nominated distributor to work with them.

It's worth noting this channel takes time & investment to build momentum although with the right strategy you can secure some key wins early on to grow from. It requires a succinct approach rather than targeting every channel within Food Service straight away.

The following slide gives an overview of relevant Food service partners

ACTION: We recommend researching and selecting the most appropriate caterer for your product & channel and build out a strategy from there

Distributor

- Delicious Ideas
- DDC
- Brakes
- Bidfood
- Bewleys
- Amathus
- Matthew Clarke

Caterer

- Baxter Storey
- Compass
- Leathams
- Good Eating Co
- Genuine Dining
- Gather & Gather
- Sodexo
- Aramark

End site

- Large office HQ’s
- Leisure Chains
- Co working spaces
- Hotels/Spa’s
- Bars & Restaurants
- Event Venues
- Tourist attraction

Online & D2C

The shift online across the past 12 months has accelerated growth for both existing operators in this space & allowed new entrants to achieve huge success. There's huge competition to win the listing & although the potential customer reach is high, brands have found it difficult to stand out online. It requires the brand to focus on content opportunity, PR & digital markets to drive consumers to retail partners rather than your own web shop. Brands have enjoyed success on Amazon and online marketplaces using analytics often gathered from their own D2C site. Bundles & pricing are key for the consumer to justify the spend on a single brand. Some of the well established providers are listed below.

ACTION: Are there any learning or similar accounts your brands are working with in this space that can be used as part of the proposal? What sort of marketing support plans have been a success with existing online stockists or similar?

Virgin Wines
A premium online wine retailer offering UK-wide delivery. Keen on exclusive, premium & speciality brands

Borough Box
An artisan online marketplace working with young & new brands within hampers, snack boxes & themed bundles

The Vegan Kind Supermarket
Specifically plant-based and health focussed online grocer & subscription box. Great support for brands and growing YOY

Milk & More
Expanded from a dairy supplier to an online grocer with a fast-growing range of food & drink. UK-wide delivery & like working with premium produce

MISSION VENTURES

Specialist ecommerce operators

- **Mighty Small**: known for working with challenger brands and independent producers. Work on a consignment basis and trade marketing budget involves SEO/digital optimisation versus traditional marketing opportunity. Unknown volumes.
- **Faire**: Online marketing & store working as a wholesaler for artisan products. Unsure of volumes & buyer awareness but unique platform & offering
- **RAYE**: New concept/speciality food store launching this spring.
- **Mahalo**: Online marketplace acting as a wholesaler for farm-shops, deli's & independents who want more unique brands. Works on consignment basis, low MOQ's but good place to build ROS.
- **The Food Market**: Good range of independent, smaller brands, hampers and bundles. Some great brands on their.
- **Ethicul**: a new but positive consumer reward platforms for eco & ethical brands. Also likes promoting locally/small-scale. Starting small but drives users to your D2C site.
- **Yumbles**: Good platforms for newly launched brands. Fixed % fee taken from orders but they promote/market to their database. Not huge volumes but quick & easy to setup.
- **The Artisan Food Company:** Recipe boxes, hampers & gifting across cheese/wine/indulgent ingredients. Themed Spanish food hamper.
- **Good Club**: Focusing on zero waste, eco friendly food & household delivery boxes. Strict product requirements and keen to offer healthier food & drink.
- **Well Easy** healthy living bulk discount site. Big mix of brands across FMCG but potential for good volume. Unknown RTM & volumes. Anticipating you offer fixed discounts based on volumes.

MISSION VENTURES

Grocery and High street multiples

With demand for different cuisines & flavours growing, international brands have enjoyed success within Grocers and the UK High-St. While the margin expectations & support packages are expensive versus other sales channels, the size of the opportunity is much larger. Often an initial listing will start in a smaller number of stores, growing based on sales data. As the majority of retailers in this space have UK-wide stores it's important for brands to have visibility and loyal customers across different regions. The opportunity for a listing within supermarkets is typically annual and buyers are looking for products that add value to their category without cannibalising existing brands.

Other High Street operators to consider as part of a growth strategy include:

ALCOHOL

- Majestic Wine
- Oddbins
- Jeroboams
- Whistlestop
- Laithwaites
- Davywine
- Berry Bros & Rudd

HEALTH

- Holland & Barrett
- Grape Tree Foods
- Healthy Nibbles
- The Source bulk foods
- Revital

TRAVEL

- Boots
- WH Smith
- Puccinos
- SSP
- BP M&S
- Motor Fuel Group
- Welcome Break

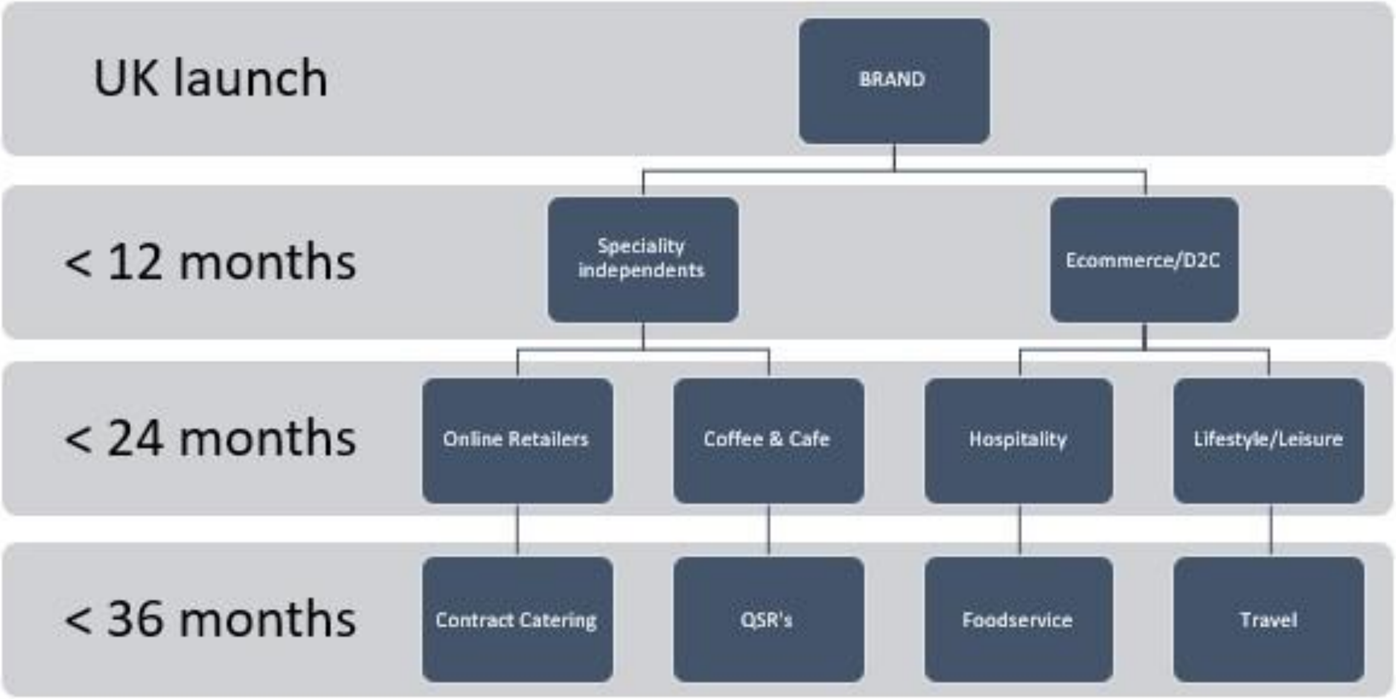
CAFE

- Pret a Manger
- Leon
- Abokado
- Tossed
- Pure Food
- Costa Coffee
- Starbucks
- Nero

MISSION VENTURES

Speciality products - RTM 0-3yr plan

The focus doesn't always have to be around launching into a major Grocer or High-St multiples. Indeed, it is preferable to build a business through wholesale and D2C channels, building momentum through efficient account management and maximising sales. This can lead in turn to developing business with the major supermarkets and - where suitable - foodservice providers. This is a marathon, not a sprint.



MISSION VENTURES

Interacting with buyers

Online meet the buyer events

Covid has accelerated the virtual meet-the-buyer opportunities for small brands. Dependent on your RTM strategy, product and budget there are key online events where you can meet and pitch to retail buyers, take part in online event & talks and find wholesalers/distributors to work with. To ensure ROI at these events, you have to focus on personalising the pitch to your target retailer and/or networking opportunities before and after. The shows especially are less about selling and more about starting the relationship with the retailer.

1. Future Minded A new and upcoming online event, broken down into category specific pitching events. It's developed a lot in the past 12 months and continuing to evolve, with some good results & buyer interest as well as the events themselves running efficiently. Pros = Cost effective, can apply to pitch to specific retailers, limited amount of tickets sold to give you a good chance of being selected. Cons = Unknown success of pitch to listing, small group of select buyers, no feedback from application.
2. Product Guru: Online buyer sampling platform and they've now pivoted to online pitching events & networking. Pros = Good network of buyers & understanding of young brands, cost effective, works well. Cons = Might not be selected, no feedback, smaller buyer reach
3. Enterprise Nation: The original startup & new brand platform offering a wide variety of advice, events & workshops. Have a food & drink marketplace event that has adapted online (although may change back). Pros = Well connected buying network, category specific pitching opportunities, understand what young/new to market brands need. Cons = Unsure of listing success, may revert back to a physical event, small number of tickets available.

MISSION VENTURES

Meet the buyer trade events

With so many trade and consumer shows to choose from we recommend brands focus on selecting 2 or 3 main events, then one more channel/product specific event. A few of the main shows highlighted below:

- Bread & Jam - 5 years-old and a key event on the food & drink founders circuit. Setup & designed for founders and young businesses with networking opportunities, talks, workshops and opportunities to pitch to key retail buyers. Pros = Affordable, buyers are open to new/young brands, good chance of ROI as more targeted approach, good learnings. Cons = Smaller number of buyers present versus traditional trade show, no physical space to showcase brand.
- Lunch! = Well established trade show with a good volume of buyers attending from a wide variety of categories and retailers. Tends to heavily focus on young, challenger brands & exciting innovation with high quality workshops & key note speakers. Pros = Great brand visibility, startup & new products area, high quality leads. Cons = Competitive for buyers attention, costly for good stand space
- London Coffee Festival - More channel specific but very popular trade/consumer show focused around coffee & cafe relevant products. Lots of buyers associating it with new trends & emerging brands with many using it for future inspiration in their category/accounts. Pros = Opportunity to sell product, gain consumer feedback, prove channel success/interest. Cons = Expensive, long hours (9am-9pm), hard to identify buyer versus consumers as it's mixed together.
- Taste of London - Set up as a food festival format, the main event is an outdoor summer food show focussed around cooking, masterclasses, tasting and consumer interactions. While it's a mainly consumer, buyers have started visiting to interact with brands and understand how they would activate into market. Pros = Interactive and good for proving demand with UK consumers, can sell product to make a ROI, creative way of meeting/inviting buyer to meet you. Cons = Not solely trade focussed, weather dependent, requires operational support.

Major Trade Shows

Long the most influential trade show, the IFE has recently moved to an annual show in place of every other year. Typically the show attracts over 1,250 food and drink suppliers from across the industry, spread across eight food and drink zones.

The show attracts over 40,000 visitors from across the trade and from over 110 countries. According to the organisers, 74% of these visitors have purchasing power.

With a focus on Artisan producers, the Speciality & Fine Food Fair attracts over 700 producers as exhibitors and over 10,000 industry buyers and food professionals.

IFE
21 - 23 March 2022
ExCeL London

SPECIALITY & FINE FOOD FAIR
6-7 SEPT 2021
OLYMPIA LONDON

Targeted sampling opportunities

Alongside consumer and marketing-led options, you can also choose to partner with D2C sites & specialist ecommerce providers focused on securing a future listing. Trade partnerships are a great way of testing & proving your product would sell well in that channel, often providing useful data & insights that can be incorporated into sales pitches. The below companies offer more channel specific opportunities with ROI if you win the listing:

ACTION: There's a huge variety of opportunities dependent on required reach, budget & COGS. The above aren't guaranteed future listings but if you are targeting a specific channel, it's worth finding the opportunity to test the audience prior to a listing.

Beer 52 / Naked Wines

Tend to look for snack products to pair with their booze club/online wine store. Possible listing. Rate card for further digital spend. You cover the cost of the product + cost for picking/packing

Hello Fresh / Mindful Chef

Frozen & fresh recipe boxes have options for inclusion as either a ingredient product or snack/drink product while the customer is cooking. You cover COGS, high volume & they sort distribution.

Gems at Work

Specially offices & the foodservice sector, where you can cover COGS + small cost per product to test your product on office workers and get in front of potential food & beverage managers. Feedback surveys provided and can specify key locations/dietary interests.

MISSION VENTURES

Sampling via Subscription boxes

Following the increased demand for online shopping, subscriptions & experience-based gifting there's a growing number of sampling & strategic partnerships offered to brand, that can be category or demographic specific.

As well as reaching and interacting with your target audience, there's potential for social engagement, increased digital presence & consumer feedback. With 84% of consumers being influenced by their friends & family members social media posts about products and services, it's worth the investment. We've collated the key marketing opportunities with focussed examples in health and artisan.

Case Study: Craft Gin Club is a fast-growing subscription club, with around 40k+ boxes going out to their members monthly. Due to them wanting to encourage & continue working with smaller brands, they are now offering to buy products at cost price to maintain their element of "discovery" with new snacks and mixers.

HEALTH

- Lifebox Food
- Muscle Food
- Nutribox
- Gym +
- Weightwatchers

ARTISAN

- Craft Gin Club
- The Wine Society
- Borough Box
- Degusta
- Pact Coffee
- Freddies Flowers

Marketing solutions

Local solutions for digital marketing

Dependent on the product and chosen RTM there are ways to improve your brand awareness support retailers who have listed your products. Sometimes it can be beneficial to work with agencies as they have a larger network & stronger influence, especially in PR, but when it comes to branding it's better to work with F&D specific freelancers or smaller companies. A listed of recommendations below:

- **Brand/Design agency**: Sore Thumb and Andrising Are used to update the messaging and packaging design to fit with the UK market and your category positioning. Can also work on UK specific NPD. Both these contacts are experts within FMCG and used to working on new-to-market brands. Project fees quoted based on scope of work.
- **How to find freelancers: BLKBK** a recommended site for finding digital freelancers for smaller, one-off projects like banners, ad's & trade marketing.
- **Field sales agencies:** Feet on the Street are able to support your independent and win new business. More is more new business focused, Red Wigwam focus on promotion compliance, on-shelf visibility and merchandising in store to encourage re-orders & upsells.
- **Market research testing:** Vypr is an online app and campaigns to target your demographic with key questions that will support your sales pitch or give you insight to decide on your RTM strategy.
- **PR agencies:** Can work with an agency or freelancer dependent but worth a 'launch' campaign and a few months of PR focus to get some key coverage. They can then be paused until NPD or new listings have been won. Buyers & consumers trust reviews from big press.

ACTION: The above are suggestions on different areas of digital marketing but it's also dependent on budget & your chosen RTM. It's best to understand the size of the prize and potential revenue targets, then set an amount of support needed which would include the above.

MISSION VENTURES

Canary-Island specific partnerships

Targeting people that have experienced Canary Island cuisine & are familiar with the traditional food & drink will be the easiest demographic to convert initially. We've pulled together some initial ideas for connecting with this audience:

Holiday partner = I.e Olympic Holidays or Villas Plus for affiliate/email marketing partnership. Arranging a discounted product offer before & after guests holiday to the Canary Islands. Social media championing local produce, a Canary Island hamper competition for customers who book a summer holiday, special offers to their email database

Windsurfing/Surfing partner = Famous for amazing watersports, an opportunity to connect Canary Islands produce with windsurfing/surf clubs. Pure Surf, Planet Surf or Surfholidays

Restaurant, bars & themed Spanish/Tapas nights - Brindisa, Barrafina, Salt Yard = As a menu item with pairings promoted on social media & branded on their menu. Events/themed nights to build consumer engagement & loyalty

ACTION: Are there any existing partnerships you have with Canary Island brands or similar that have seen success in the UK that you could capitalise on? Would the local tourism board support brand competitions with some free travel offers?

MISSION VENTURES

Digital expertise

Like any industry, social media platforms and digital expertise are crucial for reaching your target audience and building your brand awareness in the UK. There are several agencies and smaller businesses, specialising in FMCG, that cover SEO, influencer campaigns, community management, PPC & competitions.

- Collider: Experienced creative agency across digital, brand & content
- Highlight PR: Award-winning team across PR, content & social
- Born Social: Focus on startups and SME's for the past 9 years, works across social, strategy, paid media & influencers

AMAZON:
Many startups and new-to-market brands start with Amazon as the first customer interaction, alongside their own D2C. Like everything digital, in order to be a success on Amazon it's about understanding how to get the setup right & continually be optimising based on real-time data.

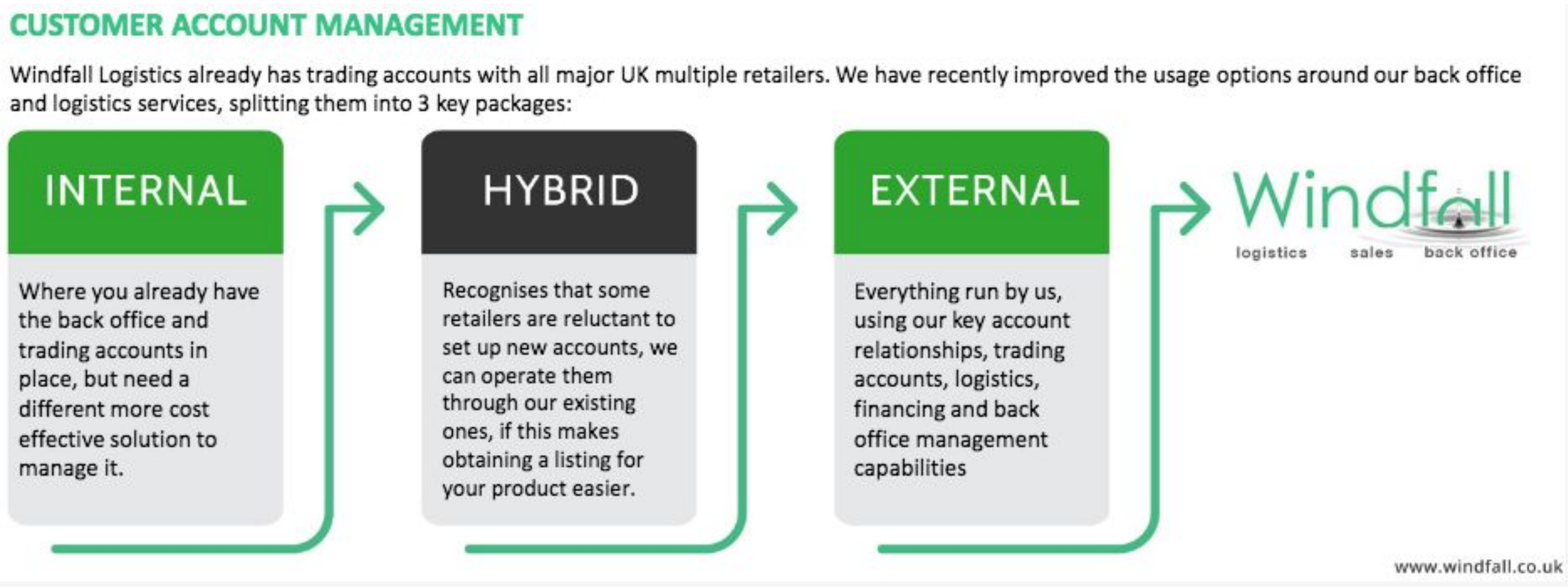
Amazon Launchpad is their version of an online incubator for startups and new brands that provides education, merchandising and how to gain a strategic advantage versus competitors & conventional brands.

Toucan Ecommerce: are experts in the preparation, implementation and management of Food & Drink Amazon shops with impressive results.

Logistics solutions

Logistics & Consolidation

Mission Ventures has a partnership with Windfall Logistics who can offer a low cost solution for exporters seeking to develop a foothold in the UK market. They can hold stock on consignment (ambient, fresh or frozen) and invoice a wide range of retailers and wholesalers as part of consolidated shipments. As an example, they supply over 12 orders a week to Ocado and daily orders to Sainsburys.



MISSION VENTURES

Reach of Windfall Logistics

MISSION VENTURES

Republic of Ireland
Market overview

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MISSION VENTURES

An overview of the Irish market

With a population of just 5.2m the grocery market in Ireland is valued at 13bn euros in 2020, making it approximately 5% of the UK market. Like the UK, it mirrors in terms of supermarket dominance, albeit with closer market share with only 1% difference between all of the top three, namely Supervalu, Tesco and Dunnes. Although they account for over 60% between them, like the UK leaders, each has been steadily losing share to the discounters Aldi and Lidl, each of whom has gained 12% of the market, up from 8% in 2015.

The impact of Covid saw each of the three leaders gain between 15% to 20% in growth during Autumn 2020, with Kantar reporting an overall 16.4% increase in grocery sales during the 12 weeks to end of November. Unsurprisingly, online grocery sales have also been buoyant in the pandemic, rising 74.8% in the Autumn, representing an additional 55m euros over the same 12 week period in 2019.

Ireland has long been an economy dominated by Agriculture (32% of GDP, 8% of employment), and the food culture reflects pride in the country's produce. By contrast the UK Agriculture industry contributes just 0.6% of GDP and employs 1% of the population. The scale of Irish agriculture means that the majority of produce is exported but stores reflect a strong bias towards local brands and programmes like Supervalu's Food Academy supports local producers to achieve listings in their region.

Whilst consumer trends are similar to those in the UK, the notable difference in the Irish market is the percentage of food imported: 10% in Ireland compared to 55% in the UK (over 80% in some accounts if considering raw materials processed within the UK).. This has significant implications for the relative market prospects of new imports reaching the shelves in these retailers.

The small Irish market size means there is a strong reliance on distributors to represent imported brands, rather than exporters establishing a local team or sales resource. We have therefore profiled some of the more prominent operators in this report.

Impact of Covid-19 on Irish Grocery Majors

MARKET OVERVIEW – 12 WEEKS

+8.4% Value

+4.6% Volume (packs)

+7.5% Spend per Buyer

-7.6% Frequency

+€3.48 Spend per Trip

TOP 5 RETAILERS PERFORMANCE

- SuperValu is now at the top with 22.4%, as sales grow at +13.9%.
- Tesco moves to second with 21.6% market share and is growing at +9.9%.
- Dunnes falls to third place in share terms at 21.3% and is growing at +3.6%.
- Lidl holds fourth spot in share terms at 12.7% share and is growing at +12.3%.
- Aldi increases it's share to 12% as it grows at +6.2%.

Kantar: 12 weeks to 21st March 2021

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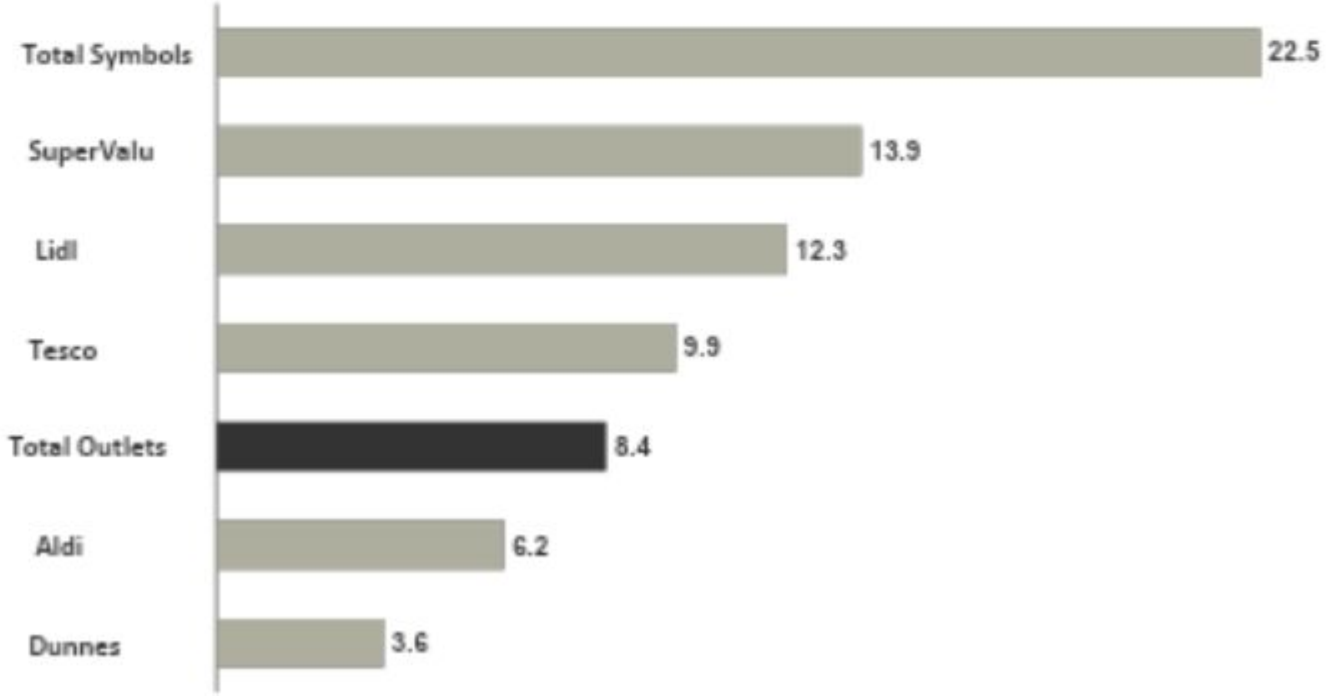
Symbol groups see strongest growth during Covid-19



Reflecting the more local nature of symbol group stores, they benefited from the highest growth during the pandemic. Figures show 12 weeks to March 2021 and reflect retail value YoY % change (Kantar).

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Leading Irish retailers - Grocery

SuperValu

- SuperValu is part of the Musgrave Group.
- Purchase of 24 Superquinn Stores has increased store numbers from 226 to 250 stores
- All store are independently owned.
- Strong drive to support local producers and own label offerings

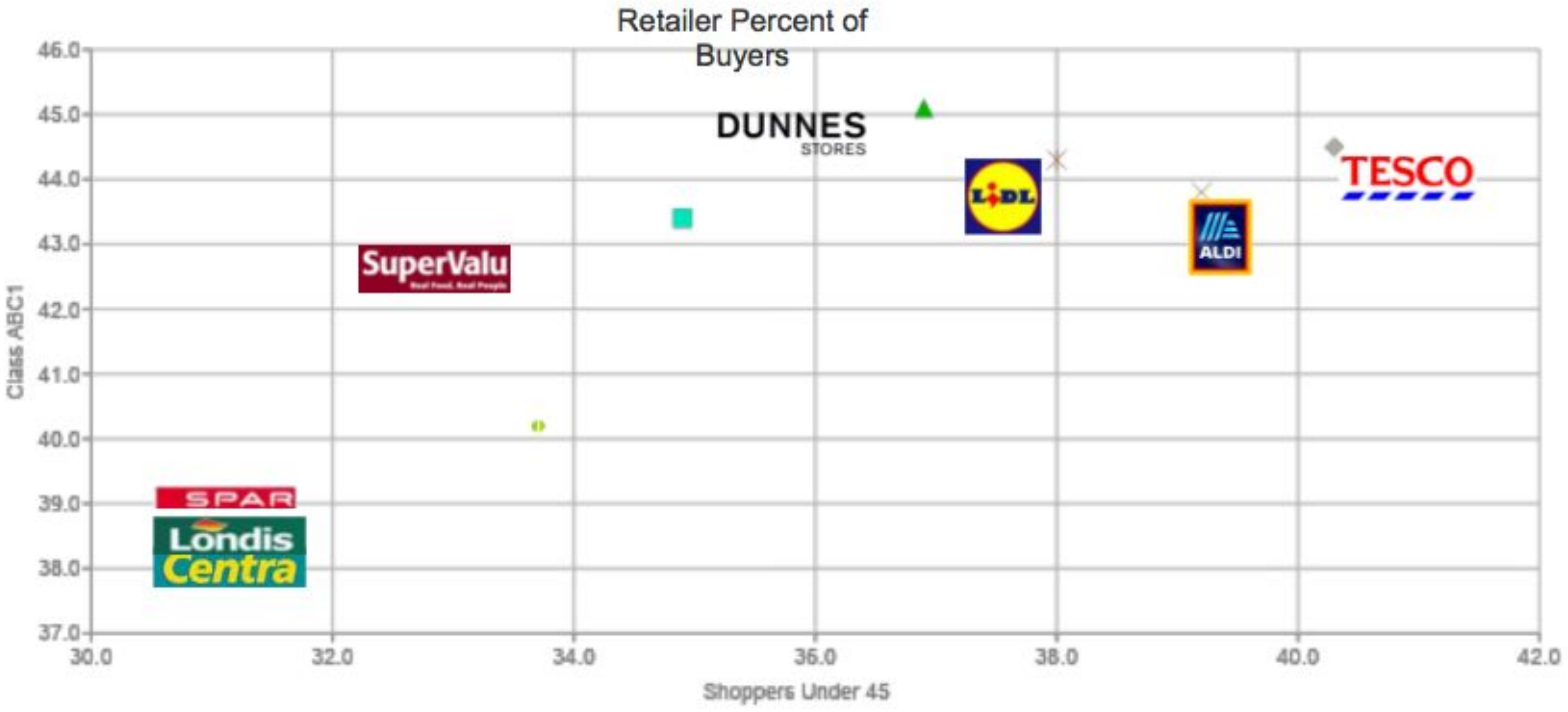
TESCO IRELAND

- 139 stores nationwide
- 2 Central depots (1 Dublin, 1 Belfast)
- Head Office Dun Laoghaire Co. Dublin
- Increased shift to local source & manufacturer co-operation

DUNNES STORES

- Family run, privately owned Irish Company
- 98 stores in Republic of Ireland and 11 Grocery stores in Northern Ireland
- 1 Central Distribution Depot (Kildare)
- Also operate on order and delivery per store on a weekly basis
- Head Office – Georges St , Dublin City.

Dunnes leads on ABC1 shoppers, Tesco has most shoppers under age 45



Kantar: 21st March 2021

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Rise in D2C & ecommerce

Unlike the UK, the Irish market has - across all product categories - historically been slow to adopt an ecommerce model for consumer markets. According to the CSO, prior to the Covid crisis, only 32% of SMEs in Ireland could take an online order. The pandemic has had a dramatic impact on this and, similar to the UK, the Irish market has seen a significant rise in the number of SMEs offering online sales of food. This shift amongst small and large retailers is considered likely to remain largely unaffected as the impact of the pandemic reduces and consumers remain attached to conducting part of their shopping online.

According to Kantar, the relative immaturity of the online market in Ireland leaves it plenty of headroom for growth. We can expect to see both new platforms emerge as well as existing online services become more refined. For new brands seeking to enter the market in Ireland or the UK, the opportunity afforded by being able to access a more targeted audience as well as provide more background on the brand and its provenance than just a label on a shelf means this will be an attractive means of starting to build a local following.

From our research we have identified a number of the more promising D2C sites that are not just retailing Irish produce.

Irish D2C platforms serving imported products

Sheridans Cheese Mongers:
18 stores around Ireland, also offering a wide range of platform solutions, including hampers and gift solutions, a cheese club, recipe ideas and meal kits. They also sell wines (8 of 52 are Spanish).

Garden Goddess
Predominantly a supplier of fresh and locally produced food, this online retailer stocks a wide range of imported goods for store cupboard staples such as jams and sauces and some French cheeses.

The Counter Deli
Stylish deli that has extended to include an online delivery service nationwide. Stocks wide range of wines, cheese and pantry goods. Chilled is collection only.

Batch
New deli and cafe that opened in 2019 and has gone online with a wide range of goods, including wine.

Stuff U Need
Broad range of large and small brand products, local and international. Includes wines and spirits. Exclusively online.

The Real Olive CO
Wide range of items, largely Mediteranean inspired, includes wine.

Sawers Belfast
Based in Belfast, this cafe and deli delivers nationally across Ireland with a range of products from Ireland and imported (e.g. French cheese, european wines and produce).

Irish D2C wine specialists

Wines Direct
Well established with a reputation for stocking a wide range of artisan wines from around the world. Includes 39 wines from Spain. Runs a subscription service "club" for a selection of hand picked wine selection.

The Wine Buff
Fifteen retail stores around Ireland with an online service. Includes a strong selection of Spanish wines.

Siyps
Exclusively online service. Wide range of imported wines and spirits, including 18 wines from Spain.

Wine Lab
Trading for many years supplying the on-trade, during 2020 they moved to offer a D2C service which includes a Bottle Project service that chooses wines for you based on budget and style.

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Large Irish Distributors - Grocery

With a relatively small grocery market in Ireland for imported goods the favoured route is typically via an established distributor. We have profiled three of the large and three medium-sized companies that can fulfil this service.

Name	GM Marketing Ireland	Pitman Berryhill	Grocery Brand Solutions
Website	https://gmmarketing.co.uk	https://www.pitmanberryhill.com	https://www.grocerybrandsolutions.ie
Main Brands	Nestle Cereals, Gourmet Popcorn, Tilda Burts Crisps	Peral River Bridge, Geets, Jelly Belly, Eat Natural, Green & Blacks, Carbonell	Capri Sun, Tate & Lyle, Carabao
Markets	Retail Grocery Multiples, Wholsesale Cash & Carry, Independents. National Symbol Groups, Foodservice	Retail Grocery Multiples, Wholsesale Cash & Carry, Independents. National Symbol Groups, Foodservice	Retail Grocery Multiples, Wholsesale Cash & Carry, Independents. National Symbol Groups, Foodservice
Territory	ROI & NI	ROI & NI	ROI & NI

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Medium-sized Irish Distributors - Grocery

Name	Brandshapers	Castleking Services	Odaios Foods
Website	https://www.brandshapers.ie	http://www.cks.ie	http://www.odaios-foods.com
Main Brands	Ella's Kitchen, Bear, Seven Seas, Nakd, LoBros Kombucha	Private label and licence sales	Numerous speciality food brands from Europe
Markets	Retail Grocery Multiples, Wholesale, Food Service, National Symbol Groups, Pharmacy	Retail Grocery Multiples, Wholesale, Food Service, National Symbol Groups	Retail Grocery Multiples, Wholesale, Food Service
Territory	RIO & NI	ROI	ROI

Irish Pharmacy & Health Food Stores

The Irish health food market is well served via an active trade association, The Irish Association of Health Stores, representing approximately 100 independent retailers across the country. They also publish a free magazine https://www.rudehealthmagazine.ie/magazine available in-store and also online.

The major High Street health and wellbeing retailer Holland & Barrett has twenty stores across Ireland for which sourcing is led from the UK head office.

There are over 1,500 pharmacies across Ireland, the market share dominated by the independents (34%), followed by large High Street names familiar in the UK, namely Boots (30%) and Lloyds Pharmacy (7%), followed by small independently owned groups such as McCabes and Hickey's.

However, the industry revenue has been impacted by Covid and is expected to have declined 4.9% over the period 2016-2021, in part driven by the decline in retail prices as patents on drugs expire but also by the increasing role of online, including Amazon.

Key retailers – High St

The major retail chains found in the UK are also to be found on the Irish High Street (including Boots, WH Smith, Costa, Starbucks) but Ireland has also grown its own local chains, notably:

Insomnia Coffee Company

- Over 170 coffee shops across Ireland, including in partnerships with other retailers such as SPAR, Mace and Londis
- Shops supply typical pastry as well as sandwich and salad meals
- Over 400 self-serve units in operation in the Republic of Ireland and the UK

‘Meet the buyer’ events

The following represent trade shows where export brands have an opportunity to meet Irish buyers on Irish soil. Clearly the proximity of some dates means it is highly likely they could be disrupted by the limitations of Covid.

- **Taste of Dublin (17-20 June 2021) -** https://dublin.tastefestivals.com (combines trade and consumer visitors)
- **Food, Retail & Hospitality Expo Ireland (4 Nov 2021) -** https://www.foodhospitality.ie (Ireland’s largest trade-only show, combining several-sub-shows including Artisan & Fine Food Show)

Owing to the small scale of the Irish market and the predominance of Irish producers it is generally recommended to focus on events in the UK that attract international buyers including from the Republic of Ireland.

Summary on Irish Market

The Irish food market is dominated by local producers and reflects the long history of Agriculture as the dominant force in the national economy. However, there is evidence of European producers achieving supply of notably Mediterranean-style produce which Canary Island brands could compete for.

However, Mission Ventures recommends that exporters focus on achieving market entry first in the UK and from there open opportunities in Ireland. The investment in effort and marketing is best directed to the larger UK market where there is a higher dependence on imported goods (50% versus 10%) and a more cosmopolitan consumer base.

Report Summary

Observations

- The UK and Irish markets are both vibrant opportunities for quality products with brands that clearly identify a consumer need and can tell a strong story of provenance and purpose.
- Canary Island producers can trade on their unique geographical position to back-up their product credentials, whilst identifying with a successful Spanish food influence in the target countries.
- With a strong association with fine weather and holiday vibes, brands should look to build on this to connect consumers with a clean and healthy environment.
- The UK will be the easier and more substantial market to enter and is the recommended target for Canary Island producers.

Action points

- Share learnings of existing success and challenges within each product category that could be incorporated into a UK / Ireland launch plan
- Review packaging format, trends, category positioning and specific brand USP's versus UK competitors
- Identify the key consumer associations with the Canary Islands and the opportunities to enshrine these within the brand messaging
- Consider the importance of 'purpose' and the wider brand mission across ethical, eco and environmental credentials.
- Ask "what does success look like" for the different product categories & what type of investment does that require to achieve it?

Next Steps

This report has considered categories at a high level without the benefit of an individual brand brief. We would recommend that any brand considering the export potential of the UK & Ireland consider the following steps to first establish the opportunity then ensure a sustainable market entry. With some of the work in Step 1 covered by this high level report the brand would be able to swiftly progress to Step 2, and we would recommend Step 3 be associated with participation at a Canary Islands pavilion at a show like IFE 2022.:

Let us help you dip your toe in our waters

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