



Retail Plan



Bwyd a Diod Cymru
Food & Drink Wales

Synopsis of Expert Group Findings
2020

Objective

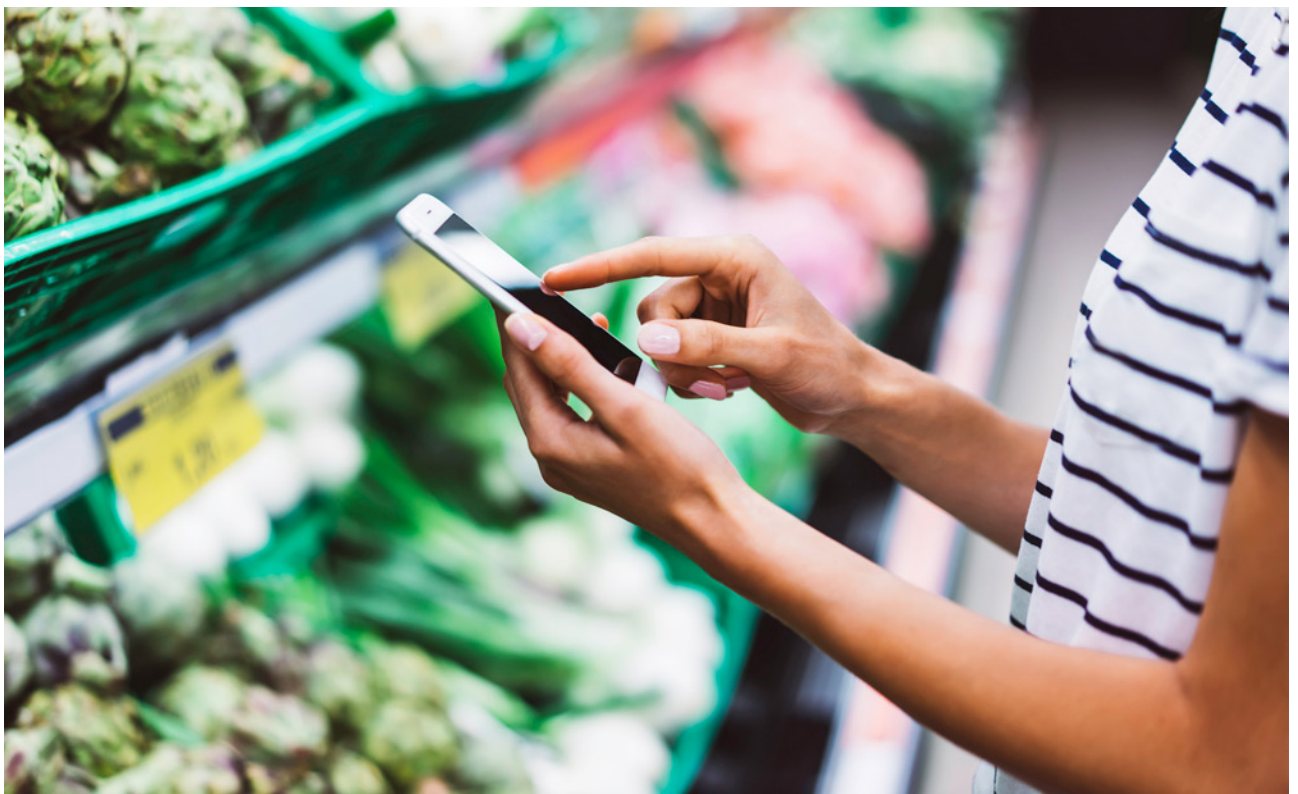
To provide a plan that will include background on the various opportunities and challenges currently facing Welsh food and drink producers in the UK retail market. It investigates consumer trends linking coherently together to create key objectives and identify where the Welsh Government should focus efforts to further grow and develop Welsh food and drink in the UK retail market.

Context

Trends

A variety of industry and consumer trends have been considered in developing the plan. These include but are not limited to the following. The Retail market for food and drink continues to consolidate with fewer companies owning more outlets. The Covid 19 crisis has accelerated the growth in convenience shopping and online retailers with a small decline in out of town hypermarkets. As the recession bites, price and perceived value for money will become important in the increasingly competitive marketplace especially as the mainstream

retailers seek to combat the steady growth of the hard discounters and bargain stores. The Covid 19 crisis has also shown consumers to be more concerned about what they eat and drink and the style, nature and ethical credentials of the companies that produce them being of greater importance than before, so innovation, sustainability and brands with purpose are at the forefront. The public have also become more interested in and supportive of local food and drink and Welsh Provenance has a role to play here. Brexit will inevitably have an impact on the sector and the full scope of this will be seen as further trade deals are negotiated and relations with the EU stabilise.





Key Issues facing the Welsh Food and Drink Industry

Many if not all of the trends highlighted give rise to key issues which have major impacts both positive and negative on the Welsh Food and Drink industry. The issues and their implications are briefly reviewed below.

- Huge surge in online grocery shopping, both through retail platforms and direct to consumer (D2C) which presents a major opportunity for growth. Welsh companies need to learn the skills to be able to operate efficiently and profitably in these fast moving and demanding marketplaces.
- The Covid 19 driven recession has brought competitiveness, pricing, and profitability into sharp focus for producers and retailers alike. Suppliers in Wales must protect their own profitability whilst attracting consumers and supporting their customers.
- As well as the growth in online, retail is starting to shift towards convenience with larger format stores in decline. Smaller stores equate to fewer listing opportunities for suppliers. Manufacturers will need to be innovative, competitive and truly relevant to ensure they stay on the retail shelf.
- With more retail consolidation, there will be fewer buying points, especially in the premium sector of the market. The forecast continued growth of hard discount and bargain stores will continue to hold prices low across the trade, impacting opportunity and profitability for suppliers.
- Sustainability is no longer a USP for companies, it is now a mandatory. Suppliers must incorporate sustainable and corporately responsible practices into their businesses. It is consumers rather than retailers who are leading these demands and Welsh companies need to quickly respond to these demands.

- Many companies limit their opportunities with the retail sector as they do not have accreditation – such as BRC or SALSA and do not have the necessary skills to be able to develop strong commercial or marketing programmes. The brands either do not get the listings or fail to fulfil their potential.
- Many companies also concentrate on their historical product ranges and brands and do not take advantage of the high-quality R&D and NPD facilities that Wales can offer. If the technical capabilities on offer are used to the full, there could be significant growth opportunities.
- Welsh Government has developed a very comprehensive suite of support programmes and activities to help companies grow and prosper, but not all companies take advantage of the breadth or depth of support available.
- Understanding data and turning it into actionable information is critical to long term success for companies. The Welsh Government purchases significant amounts of high-quality data and invests time and energy into helping companies understand the marketplace. More companies need to become involved.
- Wales has a growing reputation for food and drink excellence but only a limited number of Welsh brands have strong distribution outside of Wales. A stronger presence and reputation for Welsh food and drink in the rest of the UK will encourage retailers, new producers, and consumers to think more positively about Wales as a source of great food and drink.
- There are serious skills shortages across the industry in Wales. As there are very few large corporate offices in the sector in Wales this leads to a local lack of trained food industry professionals such as marketeers and sales professionals. Brexit has also exacerbated the short supply of technologists and shop floor staff as many EU nationals have returned home. Wales also lacks a stream of high-



quality entrepreneurial start-ups producing on trend products.

- A number of retailers have a focus on supporting local listings whilst others have an inconsistent approach to supporting Welsh products in Wales. The Covid 19 crisis has accelerated the desire for local products and the use of focussed consumer and market research including the “Value of Welshness” is helping to change retailer perceptions
- Technology is changing how consumers think, shoppers’ shop, and companies behave. The Covid 19 crisis has significantly accelerated the demand for online shopping and suppliers have pivoted their businesses into D2C formats. However, companies are still at an early stage of understanding how to maximise their online presence and how to bring ‘Big Data’ into their businesses.
- Brexit will inevitably have an impact on Welsh food and drink producers. Companies will need to be fully cognisant of the details of trade deals and new regulations to ensure that they do not miss any opportunities.

Food & Drink Wales Vision

To create a strong and vibrant Welsh food and drink sector with a global reputation for excellence, having one of the most environmentally and socially responsible supply chains in the world.

Food & Drink Wales Mission

To develop a thriving food and drink industry through working collaboratively with the sector to achieve the following strategic aims:

- To grow our businesses' scale, value and productivity, through targeted investment, support, innovation and co-operative activity throughout supply chains, and by creating strong and diverse routes to UK and export markets.
- To benefit our people and society by providing attractive careers and fair work, committed to developing the skills of the workforce, using resources sustainably and encouraging businesses to play a part in addressing public health and poverty.
- To create and communicate a global reputation for Wales as a Food Nation by showcasing our sector through BlasCymru/TasteWales, developing and living our sustainable brand values, widely adopting high production and accreditation standards and celebrating businesses' successes.

Retail Plan Objectives 2020-2025

The Retail plan recognises the trends and seeks to address the issues to deliver strong, sustainable and focussed growth from 2020 to 2025.

OVERARCHING OBJECTIVE

The turnover value for the food and drink industry will grow proportionally more than that of the UK.

DETAILED OBJECTIVES 2020-2025

1. Support the development of 5 suppliers per year into GB wide, multiple retailer/ foodservice distribution each year
2. Execute at least three strong Welsh focussed partnership programmes with major retailers/foodservice providers per year.
3. Ensure a pipeline of a minimum of 10 fully retail/foodservice ready companies per year capable of launching into regional major multiples.
4. To create a stream of new entrepreneurial food and drink businesses and to establish Wales as a great place to do business using BlasCymru/TasteWales to showcase Welsh food and drink to a large audience of UK retail buyers.
5. Strengthen Brand Wales depicting Wales as the home of a creative, vibrant delicious and sustainable food and drink culture.
6. To accelerate the growth of £10m+ companies in the retail sector with sustainability at the core of the support.
7. To assist and support Welsh producers and distributors to embed the digital and big data transformation into their business. With initial focus on Direct to Consumer propositions.
8. Identify companies with resilience issues and create programmes to provide stability.

Highlights of the Plan

1. Gateway to GB Growth

Support provided to companies that already have a strong retail presence in Wales to help them extend into wider GB distribution. The



programme will provide focussed resource and access to market data, an established Non-Executive Director, specialist mentoring and training, development of systems and processes plus a contribution towards costs of packaging design and establishment of marketing programmes.

2. Strengthening retailer relationships

Celebrate St David's Day with events in major Welsh retail outlets to build local relationships and showcasing what Wales has to offer. Over the St David's Day period, hold Welsh events in retailer's head offices, sharing food and drink with staff members to further grow awareness. In the Autumn create a Welsh food and drink fortnight which can be supported in store by retailers across Wales. Work with the retailers to develop joint sustainability programmes.

3. Enhancing producer capability

Helping small and medium sized producers to further develop expertise and to understand 'what good looks like'. Create a group programmes to cover all aspects of day to day fmcg business management. Overlay the group training with 1-2-1 mentoring with each company to ensure timely activity. Introduce a 'Manager for hire' programme which will

provide qualified, trained managers to work in a company for a fixed term period

4. Encouraging entrepreneurs in Wales

A B-2-B marketing plan will be developed to target high growth potential start-ups that may relocate to Wales. This may include presence at start-up business events, funding for stands at trade events and PR investment. As part of this initiative a competition for start-ups to locate in Wales will publicise the newly packaged support and highlight the impressive array of support available through Government backed schemes. Three winners will gain access to up to £25,000 of support (in kind) that is provided including access to Food Innovation Wales and Cywain.

5. Putting Wales on the map

Continuing the establishment of Wales' reputation as the home of fine food and drink is integral to building a strong retail presence and consumer franchise for products. A series of activities will be developed with the aim of promoting the breadth, versatility, sustainability and quality of Welsh products to both the trade and the general public. This will include a programme of Consumer and Trade shows and events to include social media, PR and print advertising both within and outside of

Wales. The inward investment programme will be integrated internationally to ensure the key strengths of setting up manufacturing in Wales are promoted.

6. Support for fast growth companies

The opportunity to support fast growth 'gazelle' companies has not been overlooked in this plan. A comprehensive package of support for strong upward trajectory businesses will be created, with support prioritised to address both the immediate needs and the biggest opportunities. The support will focus on providing additional people resource in key areas of the business, either on an interim or consultancy basis together with critical data and insight. Businesses receiving getting support will be required to commit to achieving targets to justify the investment.

7. Getting to grips with Big Data

The plan recognises the rapid change that is sweeping through industry as companies learn to harness the resources and capabilities of "Big Data". It is vital that Welsh Food and Drink businesses are part of this transformation and the plan identifies methods of building

awareness and then developing skills and knowledge using Clustering methodology and follow on training and support. Initial focus will be on the importance of shopper led thinking and further developing competency in E commerce.

Support will be provided for companies to develop quality social media strategies and presence with access to practitioners. Also partnerships will be developed with Universities to run Social Media courses/degrees with industry placements on offer.

8. Resilience

The prolonged Covid 19 crisis and the uncertainty over Brexit have highlighted the vulnerability of many food and drink companies who have been overly dependent on a product, customer or sector. The plan recommends that a timeline of potential crisis points is prepared with the risks and implications being identified. Companies who are then identified as being particularly vulnerable will be offered additional support and guidance, grouping companies with similar issues into special interest groups within the Cluster framework.



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