# BPC Retail Report

Issue 39 November 2006

BRITISH POTATO COUNCIL

## Potato Statistics

### Highlights

Both value and volume show slight year on year decreases for Total frozen of 0.7% and 1.3% respectively

In value terms, frozen potato products show a decrease of 5% while frozen chips show an increase of 2.2%. All other categories show an increase

In volume terms, Recon. & Convenience potatoes show a 15.9% increase while all others show modest decreases

| POTATO PRODUCTS 52 wks to 8 Oct 2006 | VALUE (£000s) | VALUE CHANGE % Yr on Yr | VOLUME (Tonnes) | VOLUME CHANGE % Yr on Yr | AVERAGE RETAIL PRICE (£ per kilo) |
|---|---|---|---|---|---|
| Frozen Chips | 267,649 | 2.2 | 307,466 | -1.0 | 0.87 |
| Frozen Potato Products | 171,609 | -5.0 | 133,871 | -1.9 | 1.28 |
| **TOTAL FROZEN** | **439,258** | **-0.7** | **441,337** | **-1.3** | **1.00** |
| Recon. & Conven. Potato | 27,369 | 6.3 | 12,848 | 15.9 | 2.13 |
| Chilled Potatoes | 16,661 | 8.2 | 5,770 | -1.7 | 2.89 |
| Canned Potatoes | 14,492 | 1.1 | 24,657 | -3.9 | 0.59 |
| Crisps | 562,961 | 0.9 | 115,827 | -0.7 | 4.86 |

### Highlights

Total fresh potatoes show growth of 2.9% by value but no change by volume

In terms of value growth, pre-packed new show the highest growth of 10.2%, followed by organic at 9.9% and pre-packed baking at 9.5%. Loose new show a decrease of 12.8%

Pre-packed baking is the category showing the highest volume growth at 15.3% with organic at 11.5% and pre-packed new at 6.3%. The pre-packed sector overall shows value growth of 5.7% and volume growth of 1.8%

| POTATOES by PACK TYPE 52 wks to 8 Oct 2006 | VALUE (£000s) | VALUE CHANGE % Yr on Yr | VOLUME (Tonnes) | VOLUME CHANGE % Yr on Yr | AVERAGE RETAIL PRICE (£ per kilo) |
|---|---|---|---|---|---|
| Pre-packed New | 226,838 | 10.2 | 308,654 | 6.3 | 0.73 |
| Pre-packed Maincrop | 354,376 | 2.1 | 904,232 | -1.7 | 0.39 |
| Pre-packed Baking | 98,344 | 9.5 | 159,413 | 15.3 | 0.62 |
| **TOTAL PREPACKED** | 679,558 | 5.7 | 1,372,299 | 1.8 | 0.50 |
| Loose New | 66,606 | -12.8 | 90,173 | -14.1 | 0.74 |
| Loose Maincrop | 23,280 | -2.8 | 38,994 | -7.0 | 0.60 |
| Loose Baking | 73,121 | -3.3 | 75,246 | -7.7 | 0.97 |
| **TOTAL LOOSE** | 163,007 | -7.4 | 204,413 | -10.5 | 0.80 |
| Organic | 24,143 | 9.9 | 29,909 | 11.5 | 0.81 |
| Conventional | 818,423 | 2.7 | 1,546,803 | -0.2 | 0.53 |
| **TOTAL FRESH (Retail)** | **842,566** | **2.9** | **1,576,712** | **N/C** | **0.53** |

DATA SOURCE—TNS

All potatoes—GB & Imports

# Retail Detail

| RETAILER SHARE OF FRESH POTATO MARKET 52wks to 8 Oct 2006 | VALUE % | | | VOLUME % | | |
|---|---|---|---|---|---|---|
| | Total Potatoes | Prepack Potatoes | Loose Potatoes | Total Potatoes | Prepack Potatoes | Loose Potatoes |
| Tesco | 28.2 | 29.6 | 22.5 | 30.2 | 31.5 | 21.6 |
| Sainsbury | 16.5 | 16.8 | 15.3 | 14.1 | 14.1 | 14.0 |
| Morrisons | 12.2 | 12.7 | 10.0 | 12.3 | 12.6 | 10.4 |
| Asda | 13.3 | 14.0 | 10.3 | 15.0 | 15.7 | 10.2 |
| Somerfield | 4.7 | 4.5 | 5.6 | 4.3 | 4.2 | 4.5 |
| Co-Op Grocers | 4.4 | 4.6 | 3.4 | 4.4 | 4.6 | 2.9 |
| Marks & Spencer | 3.8 | 4.0 | 2.9 | 1.5 | 1.5 | 1.7 |
| Waitrose | 4.0 | 3.5 | 5.9 | 2.7 | 2.4 | 4.7 |
| Aldi | 1.9 | 2.4 | 0.1 | 2.4 | 2.8 | 0.1 |
| Lidl | 1.5 | 1.7 | 0.2 | 2.2 | 2.5 | 0.2 |
| All others | 9.5 | 6.2 | 23.8 | 10.9 | 8.1 | 29.7 |
| TOTAL MARKET | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

DATA SOURCE—TNS

# Retail News

*'guide now available'*

**BPC Retail Promotions Guide – now available**
The BPC has created The Retail Promotions Guide, a regularly updated guide which can aid in developing promotional strategies. It is split into four comprehensive sections and includes; the activities of the BPC, our past retail experience and our key research findings as well as some simple suggestions for creating successful promotions. This is available as a series of PDF's to download and view from www.potato.org.uk

*'local foods can fetch a premium if they are convenient to buy'*

**Shoppers will pay more for local food**
Consumers are willing to pay more for locally produced and UK-grown food, according to new research from the University of Reading. Their research, which took in the views of 222 people, reveals that, on average, consumers are willing to pay a premium of 88p per 500g for locally produced lamb, and 97p per 500g for local strawberries. They are also happy to pay a premium for food that is produced in the UK but not local to them, over imports, however the extent of this is much smaller – 21p for 500g of lamb and 12p for 500g of strawberries.
Older shoppers and those with higher incomes are prepared to pay the highest premium for local foods. The research also found that people were more inclined to pay for local food if it was displayed next to an imported alternative, but they were not prepared to go to the length of making a time-consuming visit to a specialist outlet such as a farmers' market in order to seek out local produce.

*'M&S – no to online'*

**M&S shelve online plans**
Marks and Spencer has shelved plans to get into online grocery as it believes it would make no money, despite rivals racing to offer bigger, better services.

*'people look for fat, calories and sugar content'*

**Nutrition labelling needs more research**
Fifty eight different research studies on on-pack nutritional information have been studied by the EU Food Information Council with the key finding that people claim to look at nutrition labels, but less often under certain circumstances, such as when there are time constraints or when the label is difficult to read or understand. Further, fat, calories and sugar are the nutrients in which most people are interested.

## Is nanotechnology in food doing a GM?

A recent article in the Times asked the question whether nanotechnology will be the next food battleground

The first question has to be – what is nanotechnology? Nanotechnology involves tiny particles so small that they cannot be seen with a microscope. Something is in the nano-scale if it can be measured in nanometres (billionths of a metre). To put this in perspective, a human hair is 80,000nm wide; DNA is about 2nm wide and viruses are 100nm.

The top food companies in the world including Heinz, Nestlé, Unilever and Kraft are exploring the potential of nanotechnology for better packaging, improved food safety and better nutritional content. In fact, the food industry is moving faster than any other sector to embrace the new technology. So fast, that by 2010, it is estimated that it will be incorporated into £11 billion worth of food products.

But at what risk, do the public want their food engineered? The experience with genetically modified (GM) food would suggest not. Although no 'nanotech' products are yet available in this country, there are a handful available in the US where there are also lobby groups demanding 'nanohazard' labelling.

Many of the applications of nanotechnology as applied to food, are not controversial. The use of 'nanofilters' is already ensuring that viruses and bacteria are removed completely from milk, improving safety and giving longer shelf life. Equally, there is little controversy over new techniques of attaching nanoscale - sensing devices to food products and packaging, so that the sources of food ingredients can be traced back to origin.

There is also growing excitement around the potential of the technology to make food safer. Campylobacter for example is a bacterium that does not harm chickens but causes illness in humans and even death in the vulnerable. A nanoparticle to go into chicken feed is being developed in the US which would latch onto campylobacter, ensuring that it is excreted by chickens so making the bird safer to eat.

Also, nanoscale silica spheres filled with molecules of a fluorescent dye have been developed to go into meat packaging, where they will detect the presence of the deadly E.coli 0157 bacteria. If found the spheres literally light up, resulting in a change in packaging colour. Nanomaterials added to PVC films can also prevent spoilage by UV light.

There are then, plenty of positive reasons why nanotechnology could be good for the food industry, but there are also question marks concerning safety issues. The jury remains out!

## What is McDonald's doing that Burger King isn't?

Recent reporting from the two burger giants – McDonald's and Burger King shows that while one has adjusted to the anti-fast food and pro healthy food environment, the other is struggling in the UK.

While Burger King has recently announced falling sales amongst its 650 British restaurants, despite strong business almost everywhere else in the world, its rival McDonald's reported strong sales in the UK with a sixth straight month of rising sales.

Burger King's chief executive, John Chidsey, said the company had to make a £1.6m cash injection to fortify its British operation against a "challenging operating environment".

The company blames its situation in this country on consumer perceptions about obesity and food-borne illness and increased competition from sandwich shops, bakeries and new restaurants that are diversifying into healthier options in response to nutritional concerns. The company is trying however, for example it does not put salt on chips in Britain unless a customer requests it, and a children's menu includes milk and 'grapple' – grapes and apples. The chain also has a 'have it your way' promise that allows customers to ask for tailor made hamburgers with variations such as extra lettuce and tomato.

In contrast, McDonald's better than expected profits are put down to its refurbished restaurants, a new marketing strategy and a renewed focus on its menu.

This revelation is all the more impressive when it is considered that the Golden Arches has become something of a punch bag for health groups, which claim the high fat and salt content of its products have contributed to Britain's growing obesity problem. Perhaps the most important contributor to this return to form has been the chain's decision to revert to offering core meat-eating customers what they want, encouraging them to eat more via value offers, and increasing the opening hours in which they can consume its food.

The revised menu has seen a return to its core burgers and fries offering, recognising that the company will never be able to appease the health lobbyists entirely, although the menu still retains healthy options.

## Grocery market growth – slowest for 16 years

The Grocer reports that the latest figures from IGD reveal the grocery market has experienced its slowest period of growth in at least 16 years with an increase of just 3.1% for 2006. The market grew to £123.5bn for the year to April. Growth was down 6.6% from a high in 2002.

IGD say, however, that the numbers are not all doom and gloom as they do not reflect the inflation that has come back into the market in the past six months. Price increases in grocery were likely to buoy the figure next year, they said.

The report forecast that while the grocery market would grow to £141.5bn by 2011, at middle estimates this represented an average rate of growth of just 2.8%. Nonetheless, grocery was growing significantly faster than the overall retail market, which was forecast to grow by 1.3% on average to £265.8bn by 2011.

With these estimates, grocery would become the dominant force in retail by 2010, making up more than 50% of the total market. It also shows that UK grocery turnover for the major multiples increased 5.4% in the past year to £85.6bn, with sales up 33.5% on five years ago.

In contrast, operating margins slipped from an average figure of 3.06% to 2.95%. Only M&S and Waitrose made significant leaps, while Asda fell from 4.7% to 4.4% and Morrisons fell from 3.3% to 0.9%.

Store numbers for the multiples were up 33% over five years to 6,028. In convenience retailing the multiples value rose from £2.7bn to £3.1bn.

Non food sales within the grocery market are forecast to grow by 6% on average, reaching sales of £12.7bn by 2011, while home shopping will double its share of the grocery market to 2.2%.

IGD also said the gulf between Tesco and the other retailers showed no sign of lessening.

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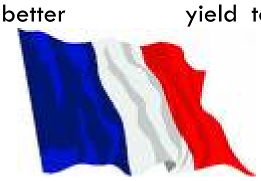
## France in focus - consumers driven by price, shun organics

***'television, lack of exercise and snacking are to blame'***

They may enjoy a reputation for fine dining and gourmet tastes, but French consumers are increasingly looking at price tags when grocery shopping. With obesity on the rise and environmental concerns moving up the agenda, they are also demanding that food manufacturers act responsibly.

French research, recently reported at a food industry conference organised by the national food industry manufacturers' association (ANIA), identified that the biggest single consumer concern in France is food pricing (75%), even though 62% conceded that they eat better now than in previous years. An overwhelming 83% linked good health to good diet, taking a proactive view rather than seeking ready-made solutions offered by the food industry.



More than two thirds blamed an amalgam of television, lack of exercise and snacking for the country's rising tide of obesity. Interestingly, the French public thinks of food manufacturers more highly than either food retailers or banks.

In terms of organic food, fewer than one in four expressed any interest.

The top consumer issues were rising obesity rates (57%), the environment – notably greenhouse emissions and over packaging (56%), as well as on-pack nutritional statements. While French manufacturers showed themselves to be in tune with end users, the public felt they 'could do better' in these three areas.

The majority of French consumers want a meal to be balanced and healthy (51%), ahead of being a social occasion (19%). Very few are concerned to make meals fast (6%) or cheap (3%).

The research clusters French consumers into four distinct groups as detailed below.

**Hygiénistes** – (32%) Predominantly women, often middle aged and well educated. Their priority is to eat a healthy and balanced diet, and this group also enjoys sporting activities. Food is a social pleasure.

The second largest group is the **voluptuous consumer** (28%) who enjoy their food and see it as a quick and easy way to spend time together. Generally young, educated and in high income brackets, they count food as one of life's pleasures. They are the most likely to yield to impulse without worrying too much about the consequences.

On the other hand, **vulnerable consumers** (24%) are driven by the need for a healthy, balanced diet as well as dependable health care. Primarily an older age group, this sector can be expected to grow in coming years as western Europe populations age.

**Minimalists** (16%) are singles on average or below average incomes. For them, food lacks a health or social dimension, existing in a restricted and somewhat utilitarian framework.

The research reports that women, pensioners and middle management are leading the battle for quality and balance in their diet. Young people, workers and men are trailing, possibly a more difficult audience to reach effectively, due to limited hands-on contact with food beyond eating it.

## It must be true, it's in the media

**Spotted in Potato Reporter:-**

According to figures released by industry analysts at ZMP in Germany, this season will bring the smallest potato crop that Europe has had in ten years. ZMP estimates a final crop figure for the EU at 52.5 million tonnes – 10% down on last season's crop. The EU-15 will reportedly harvest a total of 40 million tonnes, 9% less than last year. Of the four largest potato producing countries – the UK, France, the Netherlands and Germany, it seems that the UK came off lightest with a 2% drop in total crop production numbers.

**Spotted in the national press:-**

A report from Datamonitor on organic food says that it has doubled over the past six years and shoppers' rising demand for healthier foods means fast growth should continue. Datamonitor reports that around £1.6bn was spent on organic goods last year, up from £800m in 2000. The report also says that concerns over safety and health were some of the main reasons why people go pesticide-free. As awareness of health and environmental issues gathers steam, Datamonitor predicts the UK market will reach £2.7bn by 2010. The report also reports that Germany has the strongest organic food and drink market in Europe at £3.5bn.

**Also spotted in the national press:-**

Marks & Spencer's recently announced plans to extend the Simply Food chain from 187 to 400 outlets with another 200 outlets on BP forecourts – further evidence of the increasing propensity to trade up to premium products.

**Spotted in the Evening Standard:-**

Tesco has claimed that UK spinach sales have soared by 30% in the past year due to the current trend for eating healthy functional foods. The supermarket said that the vegetable had finally shed its unloved image as an instrument of torture for children due to increasing use by celebrity chefs and promotion by health gurus. Spinach is also used frequently in Italian and Indian cooking, two of the nation's favourite cuisines. The increase in sales comes after 50 years of flat sales volumes.

**Spotted in the NFU Food Chain newsletter:-**

Waitrose recently introduced a new range of black fruit and vegetables for Halloween and also as a response to demand for traditional British produce. The range includes the Shetland black potato.

BPC Marketing

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