

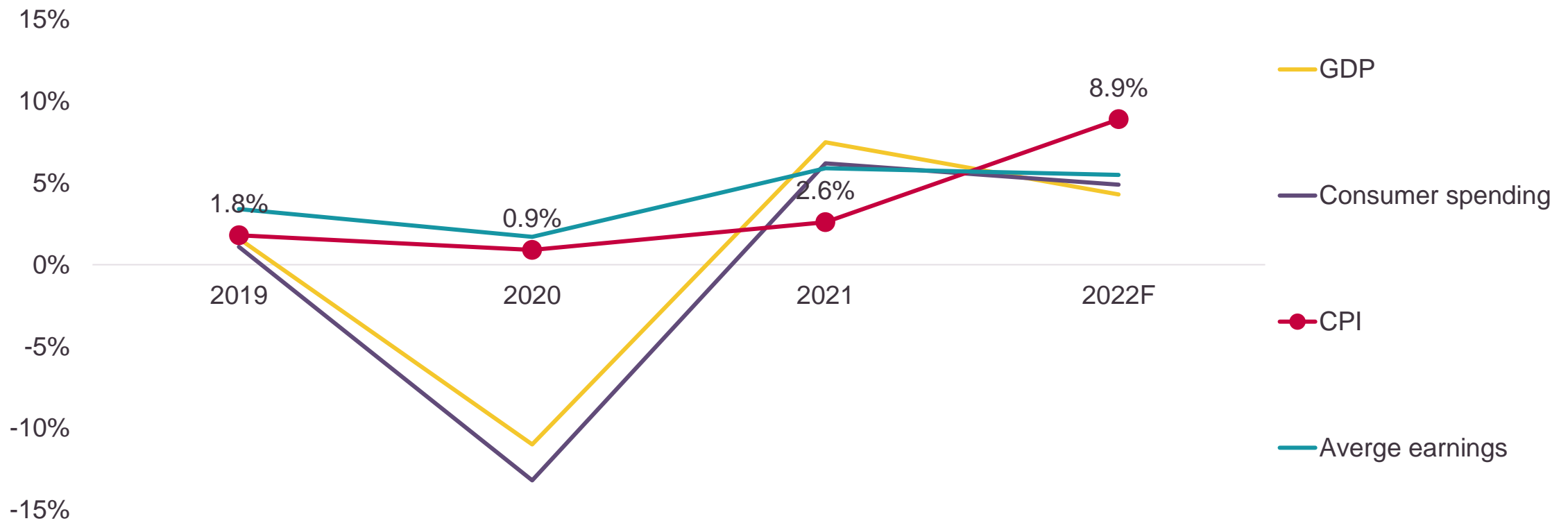
Wholesale Market Report 2022

October 2022



INFLATION SURGES AS GDP GROWTH SLOWS

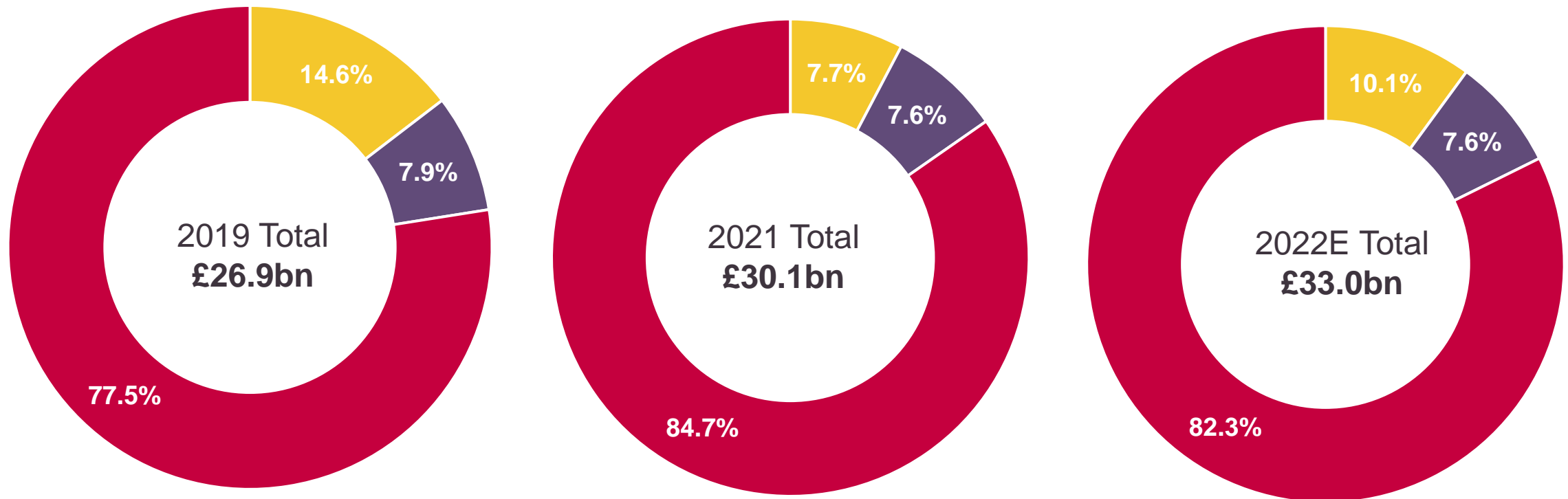
Inflationary pressure around global supply chains - exacerbated by the war in Ukraine - is creating a headwind for economic growth. EY Item Club has toned down its forecasting GDP growth of 4.3% in 2022, down from an earlier forecast of 4.9%, with the economy shrinking in Q2 2022. The forecast expects real income to drop the largest margin since the 1970s. Stagnant GDP and high inflation is creating a current picture of 'stagflation' in the UK economy.



Source: EY Item Club, Autumn Forecast, October 2022

LEADING WHOLESALERS VALUE BY SUB-CATEGORY

Leading traditional wholesalers have seen share of combined value decline by -2.4ppts to 82%, following the boost seen as a result of the coronavirus pandemic. Foodservice wholesalers Brakes and Bidfood have seen their combined share of the top 9 leading wholesaler turnovers increase by +2.4ppts year-on-year, with the market recovery slowly.



Source: Lumina Intelligence, November 2022

INDEPENDENTS INCREASING FREQUENCY OF DEPOT VISITS

Independent retailers are visiting depots or using the click & collect option more frequently, over-indexing by +5ppts compared to total retail. This helps independents to mitigate the impact of the increasing business costs, by avoiding paying delivery charges. Enhancing the shopping experience at depots by improving fixtures to make it easier to navigate will allow retailers to spot promotions.

Q. Have you changed the way you purchase stock since the increase in costs?

19%

of independents are visiting the wholesaler **depot / Cash & Carry** more frequently to **avoid paying for delivery**

7%

of independents are selecting the **Click & Collect** option more frequently to **avoid paying for delivery**

Bestway's depot



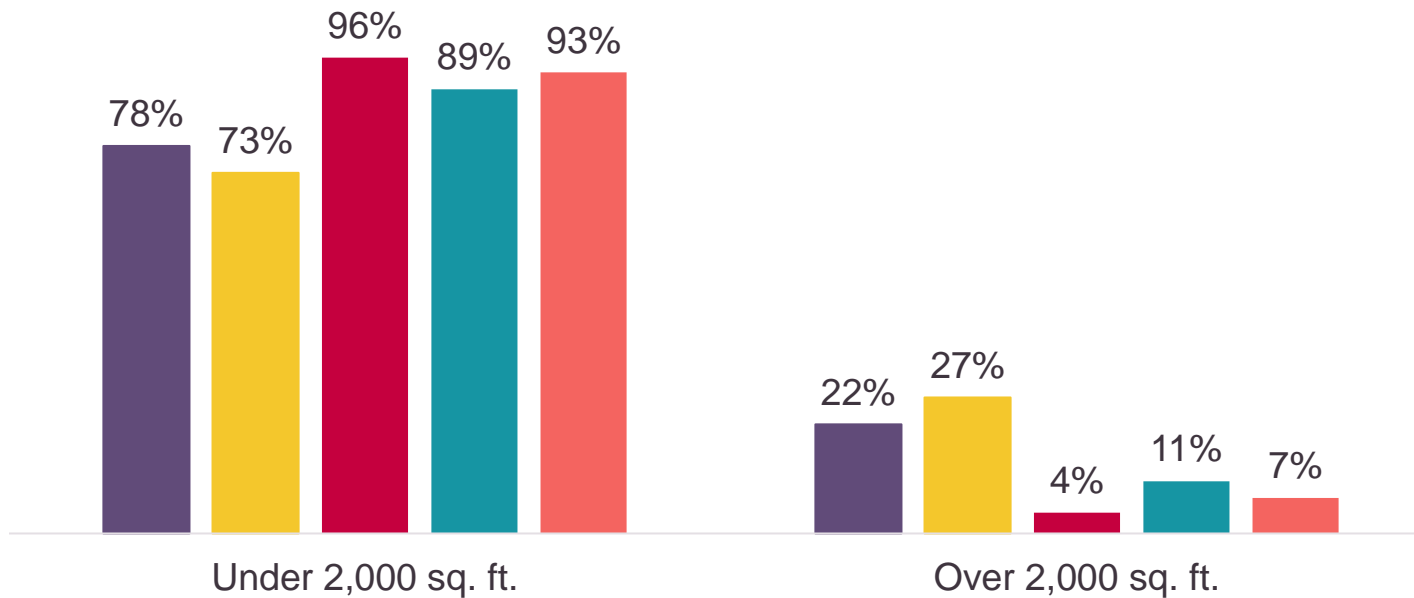
Bestway has invested £250k on an **in-depot World Cup stadium promotional campaign** nationwide, to encourage retailers to maximise the key sales window. This is following the success of the previous promotional events including the 'Your home this Christmas' and the 'Jubilee Palace', which were responsible for an estimated **20% jump in sales.***

C-STORES ARE MORE AT RISK AFTER HFSS RESTRICTIONS

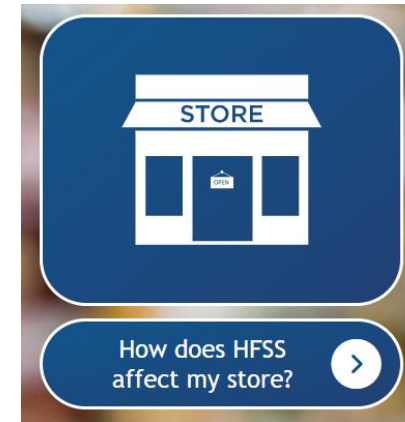
Convenience stores are more likely to be of a size above 2,000 square feet compared to other types of retailers, meaning that 27% of c-stores are at risk after HFSS implementation. Wholesalers can help retailers mitigate the impact of HFSS by creating regular newsletters informing retailers on how to adapt and offer compliant ranges of products.

Size of store by type of retailer

■ Total Retail ■ Convenience store ■ Newsagent (CTN) ■ Off licence ■ Forecourt



Unitas Wholesale
– HFSS product
check tool



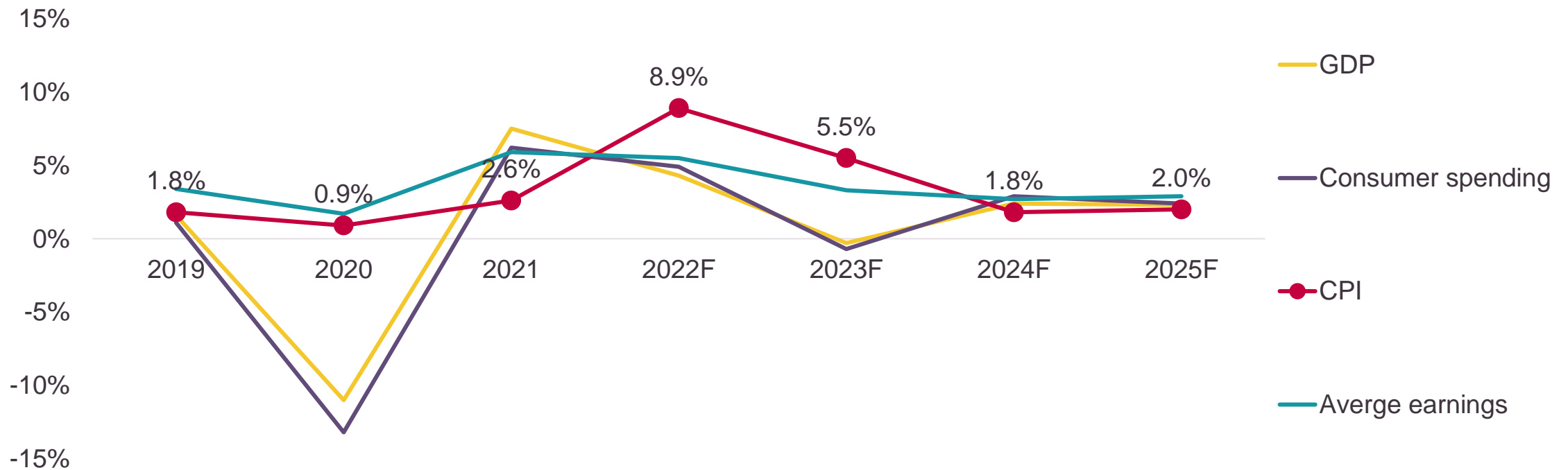
ACS – HFSS Guide



Source: Lumina Intelligence Wholesale Market Report, November 2022

RECESSION FORECAST FOR THE FIRST HALF OF 2023

Economic headwinds around energy prices and government instability is expected to lead to sustained high inflation, interest rates and bills in Winter 2022/2023. EY Item Club has forecast that GDP will be negative at -0.3% in 2023, led by a weak start to the year, before a stronger second half and 2024. Consumer discretionary spend will be hard fought for across the next 6 months and it is expected that government support of the hospitality industry will be crucial for many.



Source: EY Item Club, Autumn Forecast, October 2022

MAJORITY OF FOODSERVICE OPERATORS HAVE CONTINUED INVESTMENT

Two thirds of foodservice have not postponed business planning and investment.

Total Foodservice

68%

have not postponed planned investment or development to its business



- In November 2022, Megan's secured **£5m of additional funding** from Barclays to expand its restaurant portfolio.



- Revolution Bars Group **acquired Peach Pubs** in October for £16.5m to diversify its growth strategy.



- Friday's announced in 2022 it is investing in **further automation and qualitative data** gathering to further its digital journey.

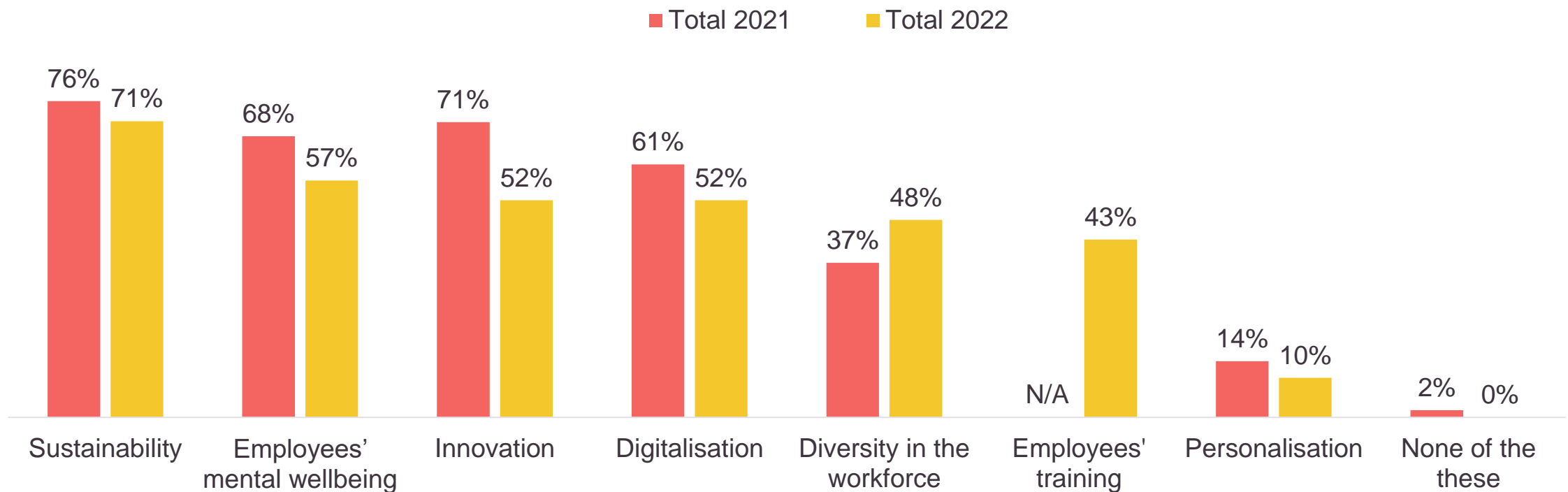


- Eataly secured **€200m investment** in September 2022 to fund global expansion.

BUSINESSES ARE DEVELOPING ON A VARIETY OF FRONTS

Sustainability, employees mental health and training, innovation and digitalisation are among initiatives that businesses are prioritising in 2022. The breadth and split of topics for initiatives indicates the challenges that businesses across both grocery retail and eating out are facing whilst negotiating headwinds around the economic landscape.

Are any of these initiatives being prioritised in your business in the next 12 months?



Source: Lumina Intelligence Top of Mind Business Leaders Survey, July 2022

SUSTAINABILITY: SUPPLIER INNOVATION IN ACTION

Kellogg's has opened a new centre to develop its health and sustainability credentials.

- Kellogg's has opened a new food innovation centre at its Trafford Park Factory in Manchester.
- **The Culinary and Sensory Centre** comprises a packaging design lab, culinary kitchen, sensory hub and a small-scale cereal factory.
- The development is part of the businesses' decade-long plan to "improve its food so it is better for people, the community and the planet".
- The project has already seen the salt content of its Special K range be reduced by -19.8% across the range.
- The packaging design lab will aid the business in trialling new **sustainable packaging options** as part of its commitment to transitioning to 100% reusable, recyclable or compostable packaging by the end of 2025.



Source: Lumina Intelligence, The Grocer, November 2022

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Recession threat drives negative sentiment, despite some recovery

Main shop increase prompts reduced frequency in depot vs pre-pandemic

Wholesale customers are opting for cash & carry, prompting opportunities

Foodservice recovery boosts leading wholesaler combined turnover in 2022

Squeeze on household budgets named the most important trend

Two in three F&B businesses experiencing staff challenges

Inflation surges as GDP growth slows

Divergence between inflation and wage growth

Consumer confidence Remains depressed year on year

Wholesale Market Development: Legislation & News

The Eight Mega Trends Impacting the F&B INDUSTRY

Wholesalers Invest In Sustainability and Technology

Wholesale market: challenges for operators

Wholesale market: operator Opportunities

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Leading wholesalers value by sub-category

Financial-focussed trends grow year-on-year

Operators launch initiatives to support customers

2 in 3 businesses are experiencing staff challenges

F&b businesses invest to tackle staff challenges

Wholesale profiles - Unitas

Wholesale profiles - Booker

Wholesale profiles - Costco

Wholesale profiles - SPAR

Wholesale profiles - Bestway

Wholesale profiles – Co-Op/Nisa

Wholesale profiles - Brakes

Wholesale profiles - Bidfood

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Retailers battle with the cost of living crisis in 2022

Retailers are ordering less frequently than 2019

Symbols spend more on average compared to indies

Majority of retailers use wholesale delivery services

Delivery sees an increase year-on-year

Indies are more likely to use depots amid rising costs

Main shop has become more popular over time

Main shop is the top reason for delivered occasions

One in ten symbols are ordering more through delivery

Independents increasing frequency of depot visits

Increased prices as a response to cost of living crisis

Symbols are more likely to continue investing

Satisfaction scores revealing areas to improve

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C-stores are more at risk after HFSS restrictions

2 in 10 retailers will not change their range after HFSS

Foodservice operators are changing behaviours

Foodservice operator customer base is shrinking

Average foodservice customer spend has declined

Delivered frequency of purchase has increased

Foodservice operators increasingly using delivery

Main shop mission has increased over time

Foodservice operators battling rising costs

JJ Foodservice aids operators with product ranges

Majority of foodservice operators have continued investment

More depot visits are an opportunity to grow profit

Cost pressures are presenting challenges

Business leaders are downbeat about future trading

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Recession forecast for the first half of 2023

Business confidence takes a nose dive in latest reading

Future expectations are downbeat for grocery retail

Possible opportunities are central to positivity

Cost of living dominates concerns for future trading

Majority downbeat about eating out prospects

Positive professionals expect challenges to ease

Cost of living crisis for consumers a major concern

Businesses are developing on a variety of fronts

Sustainability: future legislation

Sustainability: supplier innovation in action

Sustainability: supply chain innovation in action

Digital: ongoing development in e-commerce

Artificial intelligence & one-stop shops

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Share of pensioners in the population is increasing

Future staffing needs a long term strategy

Staffing, Brexit & Health: future consequences



Get in touch

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