Report on Market Trends UK 2008

Based on in-market exploration, UK and San Francisco, October 2008

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"Fresh & local" pointer to the future

In both the UK and California the local food movement is very strong, and very mainstream. It focuses around local, fresh, ethical, climate neutral food produce and products. This appears to be a very appealing message across markets from yoghurt to meat and wine.

Camel Valley winery in Cornwall, (http://www.camelvalley.com/index.aspx) (production in a good year – 200,000 bottles) produces a variety of wines including a still white using Bacchus grapes "in the New Zealand style". Somewhat disappointing drinking. However the success of their gold medal winning sparkling was illuminating. On tasting it was an interesting, fresh, light, slightly cidery wine but proved somewhat one-dimensional on drinking. The product sold at £19.95 at the cellar door and in local wine outlets and up to £60 in London. (For comparison Moet & Chandon Brut/Imperial sold at the Co-Op for £25.99. $NZ72.65 in the Blenheim New World). Demand exceeds supply (many fold) and is sought after to stock in premium restaurants, especially Michelin Star where use of local product is one of the judging/rating criteria. The key point is – the local product pulled a very significant premium (relatively) over superior non-local products.

Perhaps the most powerful part of the "local" message is that nowhere did we see "local" defined in any way. There was for instance no evidence of "Buy UK" type promotions. The messaging was much more subtle. By not defining "local' the consumer is able to adopt what ever interpretation they choose – village, county, country, Europe etc. This is a very powerful strategy and we should recognise that this is not coincidental but a very well conceived producer and UK Government DEFRA supported strategy. (The DEFRA sustainable production strategy is the best that we have seen anywhere. Go to the Forte Resources Centre for a copy).

Fresh and local is an appealing message that New Zealand producers may find more difficult to combat than food miles!

"Fresh", "local", "natural", "climate neutral" - key words to watch out for

The South-West of England (Devon and Cornwall) has positioned itself as the culinary capital of the UK. We might find it odd that the UK has a culinary capital but to think that way is complete folly. This part of the UK, we believe, provides some revealing early indicators of where the larger UK market will head over the next few years. The key words to think about are: FRESH-LOCAL-NATURAL-CLIMATE NEUTRAL.

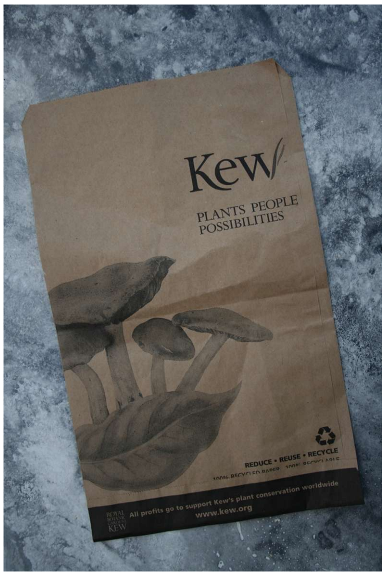
In so far as natural products (including but not limited to certified organics) can be seen as an indicator, the market is some years ahead of us in New Zealand. Both the public and marketing messaging around natural, local, climate neutral is so pervasive that in our opinion, the tipping point has passed whereby the key words above are now so embedded into the UK sub-consciousness as to make these issues entirely mainstream and therefore part of consumers' habitual decision making criteria. Some examples of the pervasive messaging are provided on the next page.

That all means that our products and our marketing messages are increasingly viewed through a lens reflecting the key words above. And that lens is quite different to our own Kiwi lens. That presents a marketing challenge the magnitude of which we have barely begun to grasp.

Ethical products and marketing is the new frontier of business – and don't expect the current financial chaos to turn back its advance. While we may take food product integrity for granted – our markets have an entirely different view of their food.

Pervasive sustainability messaging means that sustainability is rapidly becoming mainstream in our key markets

Travel on a bus (or watch it pass by), buy a take-away lunch or go to dump your trash afterwards and the message follows you - on the recyclable paper bag, the sandwich wrapping, your coffee cup, the compostible wooden utensils, and of course the waste bins themselves - the sophisticated sustainability (and corporate social responsibility) messaging is pervasive.



Sustainability, climate change and food integrity

We've known for some time that ethical investment is the fastest growing segment of the investment market. We have written previously about ethical food issues – in fact Forté's business philosophy is based on a food integrity epiphany in the UK. It came as no surprise then as to the growing prominence of ethical, climate and food integrity issues and messaging within the UK market. Reflecting very real concerns around climate change, *Fairtrade* and *Rainforest Alliance* certified coffee for example, is very prominent.

Origin is an ethical wine brand supplied by Grove Mill Wines that we spotted in Marlborough UK.

Cause related marketing is also very prominent. We were interested (surprised??) to find Banrock Station) wines stocked at the Eden Project shop – the only imported wine product available. We presume this is a result of Banrock's effective positioning and promotion of their environmental and social responsibility credentials and cause related marketing.

Wetherspoons is a pub chain not unlike our Cobb and Co – targeting an audience that in NZ would not be considered prime for these types of messages. We thought that the following, taken from a single menu, was very revealing:

- *"Farm assured British beef."*
- *"Outdoor bred pork."*
- *"100% British beef."*
- *Dolphin friendly tuna." x2*
- *"We use only 100% Rainforest Alliance certified coffee."*
- *We are committed to sourcing the best ingredients, where possible from the UK."*
- *"We are proudly able to say that we are able to trace the origin of our food to its growers and farms."*
- *"Our cod is sourced from recognised sustainable fisheries."*
- *"We are proud to use only 100% British potatoes for our chips."*
- *"JD Wetherspoon supports the charity CLIC Sargent. We have raised over £2 million to date. Registered charity no. 1107328."*

The same chain was featuring Villa Maria Marlborough Sauvignon Blanc for £5.15 for a 250ml glass or £13.20 a bottle – which pleasingly was the most expensive on the wine list – solid price positioning that was not universal.

Our failure to exploit our quality and traceability systems as a marketing tool is a lost opportunity.

Water the new gold

Even though as a country we are beginning to face some significant water issues – they pale in comparison to those already faced in many places around the world. So it is no surprise that we continue to think of water in relatively simplistic technical terms. Yet in many places, including our markets, water has taken on an ethical/emotional and highly political dimension. And awareness is very high indeed.

We have long argued that the messages that we convey about water are less than optimal. We were interested then to see a recent attack in the UK on Starbucks practice of running water continuously to waste. Striving to recover its hard won environmental credentials and credibility, Starbucks buckled to public pressure and agreed to turn off their rinse taps between uses. Try a Google search for "Starbucks turns off taps" to see how big an issue this is. More recently Cadbury's have come under attack for adding Palm oil to one of their products, and they too bowed to public opinon.

Given that NZ has been pretty free and easy with the way we use water we expose ourselves (companies and our *100% Pure* image) to similar attacks to those Starbucks has recently experienced. We need to be much more conscious of the messages that we represent through our water strategies and water use for every product group, factory, town and region.

This is a new game where environmental campaigners can own the media space and public opinon forcing even the giants of commerce to respond - and do so rapidly. We have some doubt as to how prepared Kiwi firms are to recognise and respond to this new threat - and opportunity.

Farming – we're under threat

As a nation, we've long prided ourselves on the efficiency of our farm production – land or water. We've focused much of our innovation effort on driving down the cost of production. Without diminishing the importance of production efficiency, we note that reliance on being the lowest cost producer is a fine strategy if our mission is to feed the developing world without regard to our own standard of living. But as far as we are aware that's not our national mission although our continuing slide down the OECD rankings – we are now 22nd out of 30 – might suggest that it is.

As "casual" observers, we noted some interesting developments in UK farming:
1) They are adopting sophisticated automation and other productivity strategies.
2) There are recognised, widely supported and

obvious efforts to increase productivity and quality.
3) They are and recognise that they are impacted by climate change and that is forcing changes to farming practises.
4) There is a significant move to consolidation of farm properties. How much that has impacted productivity to date was unclear but as the consolidated farms become contiguous, the affect on efficiency and productivity is likely to be very significant.
5) Food quality/integrity management is a very serious issue with farmers, consumer groups, companies, and regional and central government all involved.

Well resourced and widely supported efforts to improve the efficiency and sustainability of British farming practises warrant close attention.

Note the number of supporting agencies - including the UK Government and the EU!