BIDWELLS

GSE Food Hub Feasibility Study

South East Food Group Partnership

November 2009

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Table of Contents

Tables

1 Executive Summary

This feasibility study has been compiled between April and October 2009 by Richard Walters of Bidwells Agribusiness on behalf of the South East Food Group Partnership.

Following extensive primary and secondary research the report proposes:

- The development of a food hub to support the food sector in the Greater South East (GSE). The hub should incorporate a virtual business to business (B2B) e-marketplace.
- In tandem should be a project to support and develop 15 – 20 street markets, to enable them to play a greater role in providing fresh regional food at local levels.

The methodology for the study consisted of four stages:

- A comprehensive review of secondary data to establish the demand for local food, its value, and the ability for it to be supplied by the regions.
- Identification of the potential size and location of the consumer base that would buy local and regional food.
- An online survey of food buyers and a series of in depth interviews, to ascertain the priority opportunities and challenges for local food producers.
- In depth interviews with food suppliers, to ascertain the extent of the opportunities, and the challenges within supply chains that affect the supply of local and regional food.

The results highlight the considerable demand for local and regional food at both a consumer and buyer level. In financial terms, this amounts to a potential value (at the consumer level) of £9.3 billion per annum in London, the fresh food categories being where the biggest opportunities lie.

Nearly all businesses who answered the online survey want greater links to producers. They also want to be able to source food more easily, have less hassle and where possible a one stop shop. Developing a strong and (interactive) relationship with the producer is critical, as is having the ability to undertake the administrative transaction across a range of purchases in one place. The development of a hub is of critical importance to link up this disjointed market place.

The recommendations (if delivered) provide a two pronged attack. It puts in place the necessary infrastructure to foster greater market access through the supply chain. In addition it incorporates a strong offer to consumers, helping to stimulate the long term demand for local and regional food where it counts – providing long term support for the British food sector.

In undertaking this work time has been spent liaising with the organisations who are currently working on food sector initiatives, many of which stem from the London Food Strategy (2005).

Consideration has been taken on some of the strengths and weaknesses of those initiatives, and in particular the important role that the wholesale markets continue to play in the wider food economy. It should be noted that the research has established a base of evidence (contributing to the UK food security debate) which needs to be considered in more detail at regional and national government levels.

A note on terminology:

The Greater South East (GSE) incorporates the administrative boundaries covered by the East of England Development Agency (EEDA), the South East England Development Agency (SEEDA) and the Greater London Authority (GLA). On a further note, the reader will find some interplay between the terms 'local food' and 'regional food'. The differences between them are not significant for the purposes of this work.

2 Introduction

This feasibility study has been compiled between April and October 2009 by Bidwells Agribusiness on behalf of the South East Food Group Partnership. Funding support has been provided by EEDA, SEEDA and the GLA. The primary objectives are:

- to investigate and establish the demand for local and regional food in London
- to ascertain if a food hub is required in order to develop the local and regional food market for the benefit of producers in the Greater South East

The work has been undertaken by a mixture of primary and secondary research.

This paper is laid out into two sections. The first provides a summary of the methodology and key findings from the research. The second focuses on the conclusions and recommendations.

2.1 Methodology

In order to establish the feasibility of a food hub the methodology consisted of four stages:

- A comprehensive review of secondary data to establish the demand for local food, its value, and the ability for it to be supplied by the regions (see section 3).
- Identification of the potential size and location of the consumer base that would buy local and regional food if it is appropriately presented to them (see section 4).
- An online survey of food buyers and a series of in depth interviews, to ascertain the priority opportunities and challenges for local food producers (see section 5).
- In depth interviews with food suppliers to ascertain the extent of the opportunities, and the challenges within supply chains that affect the supply of local and regional food (see section 6).

3 Section 1 – A Review of the Research

As a start point, a wide range of secondary data was reviewed to establish the potential value of local food in Greater London, and the ability for it to be supplied by the regions.

3.1 Secondary Research Methodology

The objectives of this element of the project were agreed as:

- To identify the quantity and expenditure of the average London consumer on food and drink, both inside and outside the home.
- To determine the proportion of London consumers that are active local food shoppers and the proportion that would like to buy more.
- To estimate the capability of the South East and East of England to supply the volume of local food demanded by London consumers.
- To assess the potential values and volumes of local food that could capture a share of food and drink expenditure by London consumers.

The results are summarised in sections 3.2 – 3.5 below.

3.2 Calculating the population of London

Prior to calculating the consumption and expenditure figures for London, we needed to ascertain the appropriate population figure incorporating the following groups:

- The total number of people living in London.
- The total number of people commuting to London.
- The total number of tourists that visit London.

While investigating these various data sources, it was agreed to discount tourists from this calculation and make the assumption that this inflow balances with the outflow of people for tourism and holidays. The population figure therefore used for the purposes of this research is 8,279,439 people, the calculation of which is detailed in Table 1 overleaf.

Table 1: London Population

	Number
London Population (all ages)	7,556,900[1]
Commuters who live outside, but work in London	722,539[2]
TOTAL	**8,279,439**

Within this population, it is important to understand the proportion of consumers that are active purchasers of local food and the proportion who would like to buy more. To do this a further calculation was undertaken as described below.

3.3 Calculating the population of local food shoppers

Data provided by the IGD highlighting individual consumer buying patterns and preferences enables us to get an appreciation of the demand for local food by London consumers. For example, a 2005 report suggested that 71% of consumers in London either buy, or would like to buy more local food[3]. However in 2006, this had increased to 82% of London consumers[4], although by 2008 it had fallen to 60%[5]. Although this data is specific to London, further reports suggest that the 2008 UK average was 84%[6].

In reality we know that not all consumers carry out these intended purchasing habits. We therefore need to use a discount factor in order to come to a figure that more accurately captures the true number of people that buy or would like to buy local food. Having consulted with the stakeholders of

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[1] National Statistics (June 2007); Neighbourhood Statistics, People and Society: Population and Migration – London Health Authority area.

[2] National Statistics; 2001 Census, Tables TT10 and KS09

[3] IGD (2005); The local and regional food opportunity

[4] IGD (2006); Retail and foodservice opportunities for local food.

[5] IGD (2008) Home & Away Survey.

[6] DEFRA (2008); Understanding of Consumer Attitudes and actual purchasing behaviour with reference to local and regional food.

this project, and taking into account analysis of the data, a decision was taken to use a figure of 60% for London consumers. Based on the figures highlighted above in table 1, and using the 60% discount factor, the calculated number of London consumers who buy or would like to buy local food is 4,967,663. Having tested this against other models, we feel that this is a reasonable projection and allows a good estimate of the local food demand in London.

3.4 Food Consumption & Expenditure of the London Consumer

3.4.1 Value

Once the total population and the proportion of those who would buy local food had been determined, the next stage was to identify the 'quantity bought' and 'average spend' of the London consumer (both inside and outside the home). This data, taken from the 2007 Expenditure and Food Survey[7], shows that on average London consumers spend a total of £36.32 per person per week on food and drink (including both eat in and eat out). When combined with the population of London, the total value of food expenditure in the capital is calculated at approximately £15.6 billion, the breakdown of which is detailed in Table 2 below:

Table 2: Household Food Expenditure (by value)

	£ per person per week	**£ per person per year**	**London Population**	**Total Expenditure**
Household Food & Drink	£24.95	£1,297.40	8,279,439	£10,741,744,159
Food & Drink Eaten Out	£11.37	£591.24	8,279,439	£4,895,135,514
TOTAL	**£36.32**	**£1,888.64**	**8,279,439**	**£15,636,879,673**

Based upon the calculations described earlier, the potential value of local food in the capital could therefore be estimated as approximately £9.3 billion, as detailed in Table 3 below:

Table 3: Potential value for local food in London

	£ per person per week	**£ per person per year**	**60% of London Population**	**Total Expenditure**
Household Food & Drink	£24.95	£1,297.40	4,967,663	£6,445,046,495
Food & Drink Eaten Out	£11.37	£591.24	4,967,663	£2,937,081,309
TOTAL	**£36.32**	**£1,888.64**	4,967,663	**£9,382,127,804**

[7] National Statistics (2007), Family Food – A report on the 2007 Expenditure and Food Survey

3.4.2 Quantity

The Food and Expenditure Survey is useful in that enables an estimation to be made of the potential demand for local food by both quantity and product category, as detailed in Tables 4 and 5 below. For example Table 4 shows that the approximate demand for local milk and cream is 443 million litres.

Table 4: The potential (eat in) demand for local food in London (by quantity)

Food Categories	Grams/ ml per person per week	Grams/ ml per year	Kg / Lt per year	60% of population	Approximate demand for local variant
Milk and Cream (ml/litres)	1718	89,336	89.3	4,967,663	443 million lt
Cheese (grams/ kg's)	101	5,252	5.3	4,967,663	26,000 t
Carcase Meat (grams/ kg's)	245	12,740	12.7	4,967,663	63,000 t
Non-carcase Meat and Meat Products (grams / kg's)	682	35,464	35.5	4,967,663	176,000 t
Fish (grams / kg's)	192	9,984	10	4,967,663	50,000 t
Eggs (no.)	2	104	N/A	4,967,663	517 million
Fresh and processed potatoes (grams / kg's)	601	31,252	31.3	4,967,663	156,000 t
Vegetables (processed & unprocessed)	1244	64,688	64.7	4,967,663	321,000 t
Fruit (processed & unprocessed)	1471	76,492	76.5	4,967,663	380,000 t
Total Cereals	1524	79,248	79.2	4,967,663	394,000 t
Beverages	44	2,288	2.3	4,967,663	11 million lt
Soft drinks (ml)	1403	72,956	73	4,967,663	362 million lt
Confectionary	97	5,044	5	4,967,663	25,000 t
Alcoholic drinks (ml)	536	27,872	27.9	4,967,663	138 million lt

Table 5: The potential (eat out) demand for local food in London (by quantity)

Food Categories	Grams/ ml per person per week	Grams/ ml per year	Kg / Lt per year	60% of population	Approximate demand for local variant
Alcoholic drinks	472	24,544	24.54	4,967,663	122 million lt
Soft drinks inc. milk drinks	388	20,176	20.18	4,967,663	100 million lt
Beverages	133	6,916	6.92	4,967,663	34 million lt
Meat and meat products	86	4,472	4.47	4,967,663	22 million kg
Fresh and processed potatoes	68	3,536	3.54	4,967,663	18 million kg
Vegetables	31	1,612	1.61	4,967,663	8 million kg
Ice cream desserts, cakes	30	1,560	1.56	4,967,663	8 million kg
Indian, Chinese or Thai food	51	2,652	2.65	4,967,663	13 million kg
Cheese and egg dishes or pizza	29	1,508	1.51	4,967,663	7 million kg
Confectionary	15	780	0.78	4,967,663	4 million kg
Fish and fish products	13	676	0.68	4,967,663	4 million kg

3.5 Potential Supply of Local Food into London

The next stage was to compare the demand and availability of locally produced food for these selected categories. Many London food projects define the term local as being within a 100 mile radius of the capital. Whilst the definition is in line with common use, for this work we have slightly adapted it, and focussed on local being the potential supply of food from the two principal regions of the East of England and the South East.

A difficulty faced was in obtaining data in a suitable form, and whilst it is possible to find the value of production in the regions, it is not as easy to find out the amount of volume produced. This has meant that in some product categories UK figures have had to be used, with assumptions made about regional volumes by linking it to information on the areas of production. Table 6 (page 9) details these figures and highlights whether the amount produced in the South East and East of England matches the demand in London.

Table 6: Potential availability of local food from the South East and East of England

	Potential demand for local (litres / tonnes)	Volume Produced in EofE & SE (litres / tonnes)	Volume Produced in the UK	Does Supply match demand?
Milk & Cream	443 million lt	747 million lt	N/A	Yes
Cheese	26,000 t	Data unavailable	391,000 t	Probably Yes
Beef	34,000 t	33, 000 t	N/A	No
Lamb	15,000 t	12,300 t	N/A	No
Pork	15,000 t	128,200 t	N/A	Yes
Chicken	56,000 t	Data unavailable	1,585,000 t	Probably Yes
Fish	50,000 t	17,910 t	N/A	No
Eggs	517 million	Data unavailable	8.916 bn	Probably No
Potatoes	173,000 t	1,606,204 t	N/A	Yes
Fruit & Vegetables	476,000 t	1,302,416 t	N/A	No

Despite the fact that the data available does not allow for a consistent approach between product categories, and that we have had to make some broad brush assumptions about the potential value of local food, it is possible to draw some conclusions:

- There is not enough supply of beef, lamb, fish, fruit and vegetables to satisfy demand.
- We cannot accurately measure the opportunity for cheese, chicken or eggs based on the data available.
- There is a surplus amount of milk, pork and potatoes produced in the South East and East of England in comparison to the potential demand in London.

It is important to note that in these calculations we are looking at total supply from each region and matching it up with demand from London. Of course food produced in these regions also supplies the rest of the UK as well as the needs of the export market. It cannot possibly be known to what extent the amount of food produced stays within the regions, and therefore what the true amount is that could be available for London. For example, pork production makes up a significant part of the food industry in the East of England providing a value to the region of £147 million in 2006. Not all regions however have the infrastructure to produce pigs on this scale. Likewise soft fruit is a significant industry for the South East (£142 million). The scale of this production is due to the infrastructure these regions have. They often supply a number of other UK regions that neither have the requisite level of infrastructure or the desired climatic conditions to produce the products. Seasonality also plays an important role, and adds further variables into the picture. Accepting these challenges however, the research does generate some interesting information.

4 Size and Location of the Consumer Base

The second part of the research was to get a better understanding of the amount and type of consumers willing to buy local and regional food (if it was presented to them in a manner that was appropriate to their shopping / eating habits). Taking the hypothesis that 'local and regional food attracts primarily those shoppers in the more affluent demographic groups' a methodology was constructed to test that assumption across the whole population of London.

The Postcode data of 1500 fresh food shoppers were collected from 3 markets; Portobello market in London, Swansea indoor food market, and Leicester. Each of the markets was chosen (after an analysis of their contemporaries) because of the strength of their fresh food offer and the extent to which local / regional provenance is used as a selling tool. The results were then assessed using the ACORN geo-demographic modelling tool to identify the consumer types most frequently shopping in the markets.

In order to make sure that any conclusions drawn were not based just on the evidence gathered at the markets, two other surveys were taken into consideration.

- From the DEFRA 2007 'Survey of Public Attitudes and Behaviours toward the Environment', an assessment was made of the respondents answering the following question: "Do you prefer to buy food produced locally rather than food produced abroad?"
- From the TGI Survey April 2007 – March 2008, an assessment was made of respondents who agreed with the following statement: "I buy food produced in my own country whenever I can".

The DEFRA study was broken into regions, with the data for London being used for the purposes of this study. The TGI data was nationwide. A breakdown of the results for each of these surveys can be found in Appendix 1.

Once completed, the five surveys were cross referenced to create an ACORN profile of consumers that are more likely to buy and eat local / regional food. Using the ACORN model it is possible to understand in great detail the location of these people at both a postal district and street level. Table 7 overleaf highlights the main shopper types that most frequently occurred throughout the surveys. Map 1 overleaf shows the penetration of this profile by postal district across the Greater London area. As a reference point, in those areas coloured in the darkest blue on the map, over 90% of households would be prepared to buy local and regional food (if it is presented to them in a manner that is appropriate to their shopping / eating habits).

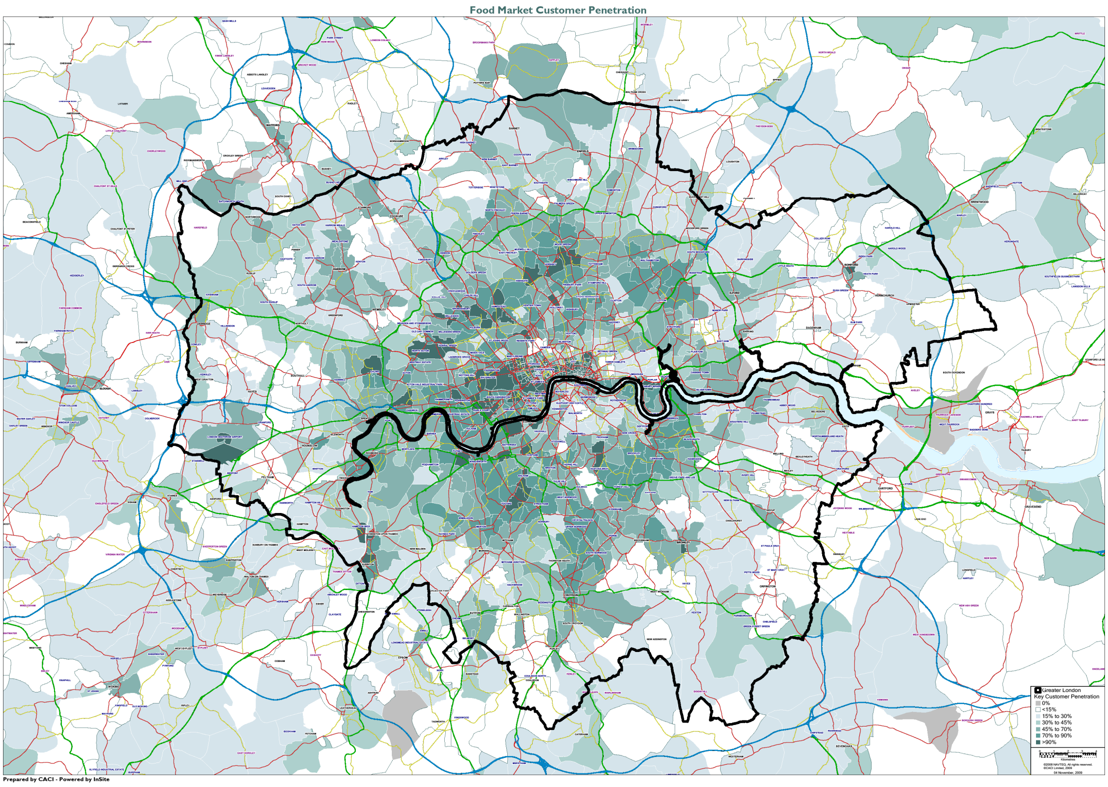
Table 7: Occurrence of ACORN types

ACORN Type Description	No. of Occurrences in Survey
Well-Off Managers, Larger Houses	5
Well-Off Managers, Detached Houses	5
Villages with Wealthy Commuters	4
Mature Couples, Smaller Detached Homes	4
White Collar Singles and Sharers, Terraces	4
Middle Income, Home Owning Areas	4
Mature Families in Suburban Semis	4
Established Home Owning Workers	4
Middle Income, Older Couples	4
Skilled Workers, Semis and Terraces	4
Home Owning Families, Terraces	4
Low Income Larger Families, Semis	4
Low Income, Older people, Smaller Semis	4
Older Affluent Professionals	3
Old People, Detached Homes	3
Lower Incomes, Older People, Semis	3
Older People, Flats	3
Skilled Older Families, Terraces	3
Low Income Families, Terraced Estates	3

The table is not an exhaustive list, as there are other consumer groups that feature within the surveys. What the table shows is that higher demographic groups tend to orientate towards the top of the table, although across the table there is a good mix of most social groups.

Map 1 below shows the penetration of these groups throughout the postal districts of Greater London.

Map 1:



Having gained an understanding of the level of demand at consumer level, the third part of the work looked at understanding the opportunities and challenges for local and regional food from the buyer perspective. This was undertaken in two phases. Firstly an online survey was developed (see Appendix 2) and completed by 450 food buyers. Secondly, using the results of the online survey for selection, one to one 'in depth telephone interviews' were undertaken with a group of buyers (see Appendix 3). The paragraphs below concentrate firstly on the online survey.

5 Online Survey

The survey was undertaken during July 2009 using a database of buyers provided and held by Fresh RM (the food industry events organisation business). The survey collected a mix of data broadly covering:

- general business information (e.g. business size, number of outlets, amount and type of food bought etc)
- current performance trends related to local / regional food
- attitudinal data on local / regional food

In the interests of brevity, an overview of the results is highlighted in the following pages. The full results can be found in Appendix 4.

5.1 General Business information

5.1.1 Which buyers took part?

The survey divided the buyers into five main categories: Hospitality and leisure catering, Contract Catering, Retail, Cost Centre Catering and Wholesale Distribution. Buyers were asked to subcategorise depending on the main category into which they fell (see table 8 overleaf). Some examples of businesses listed as 'other' include church café and casino', many of which could be considered to fit into the Hospitality and Leisure catering category.

Chart 1:

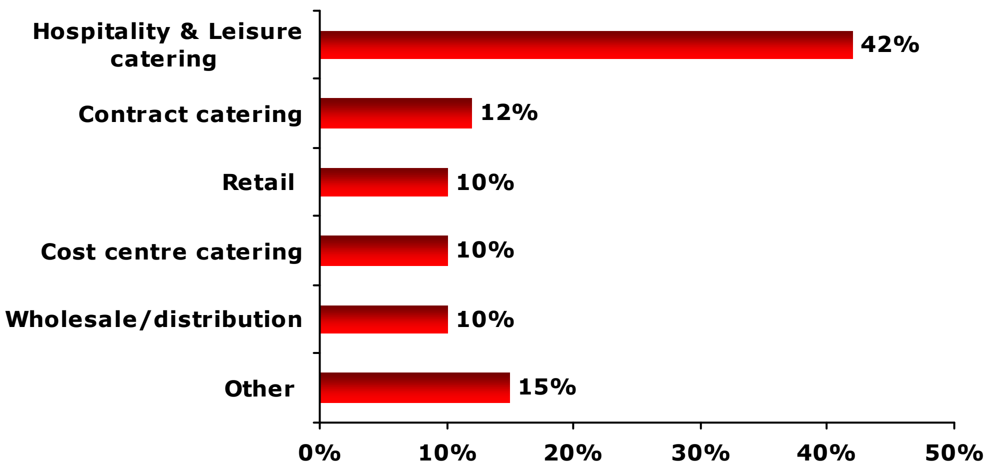


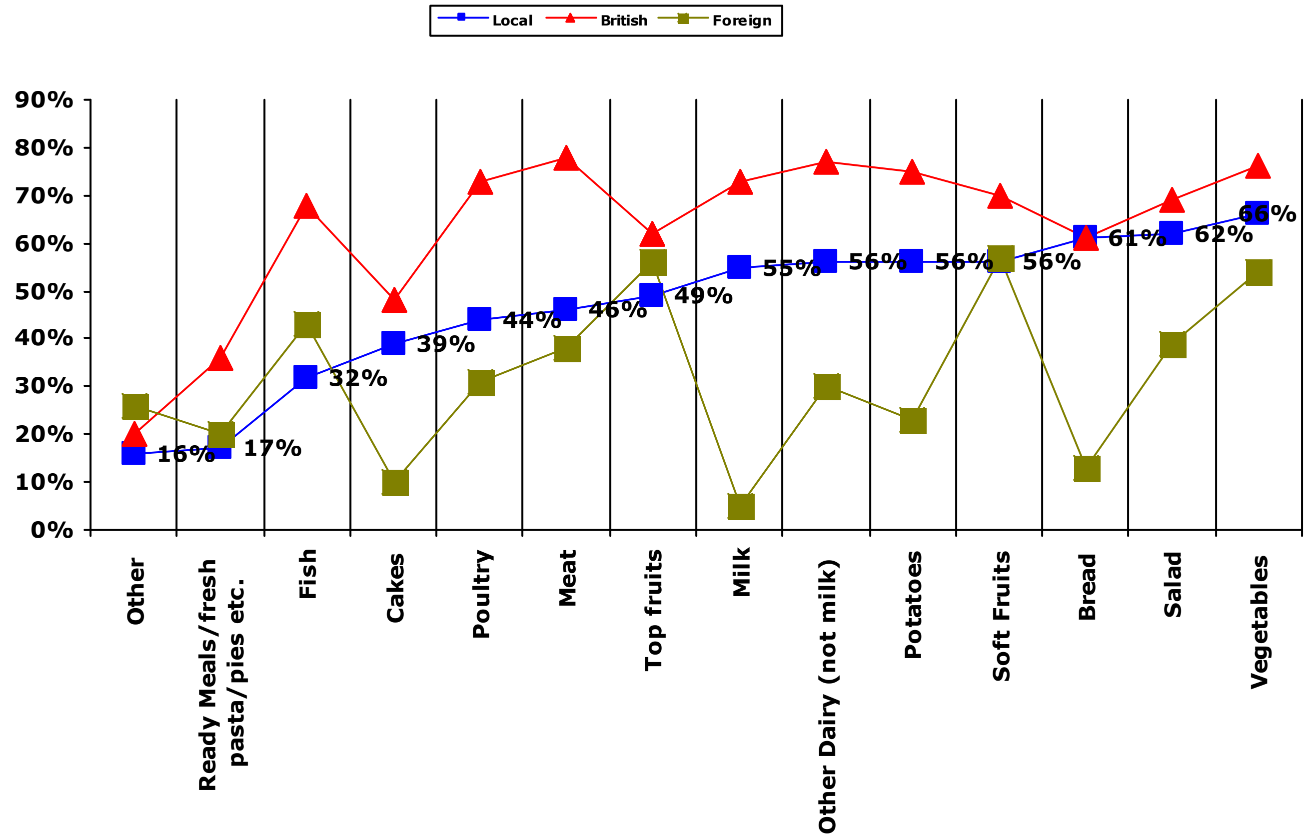
Table 8: Categories and Subcategories of Buyers

Main Categories	Sub Categories
Retail	Independent Convenience Store Major Multiple Mail Order
Hospitality & Leisure Catering	Restaurant Hotel Conference Centre Outside or event catering Café/coffee shops Gastro Pub Restaurant/Bar Coffee/Bar/Café Pub Hotel Bar
Wholesale Distribution	
Cost Centre Catering	Schools/College Profit Centre Canteen Hospital University Care Home Prison

5.1.2 What food types do they buy?

Across the main food categories (shown in Chart 2 below) respondents were asked how much as a proportion of the food that they buy was either local, British or foreign.

Chart 2:

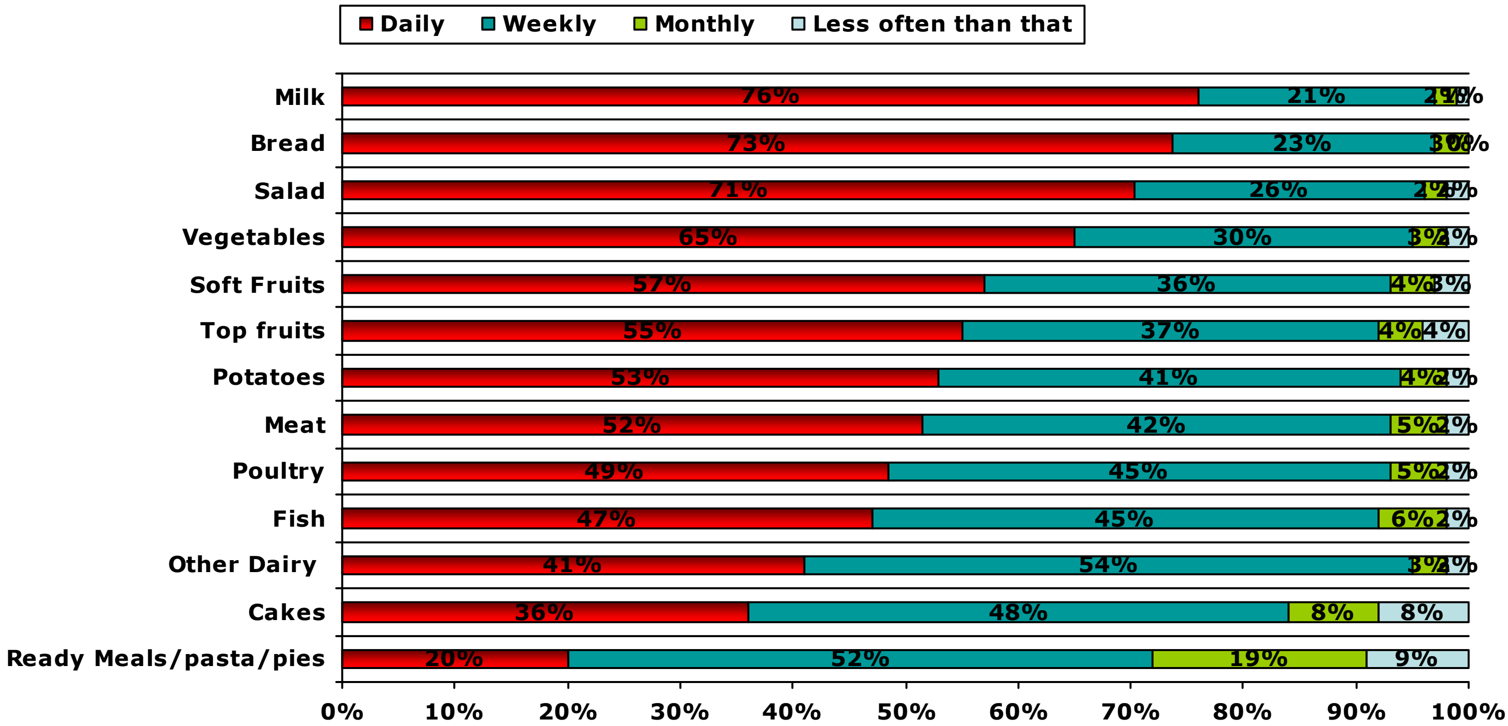


Looking at the chart it is interesting to note that it is only the ready meals, fish, top and soft fruits categories where buyers believe that they buy more foreign, than local food.

5.1.3 How frequently do they order food products?

For each food category, buyers were also asked to indicate how frequently they ordered the products. The results are shown in chart 3 below

Chart 3:

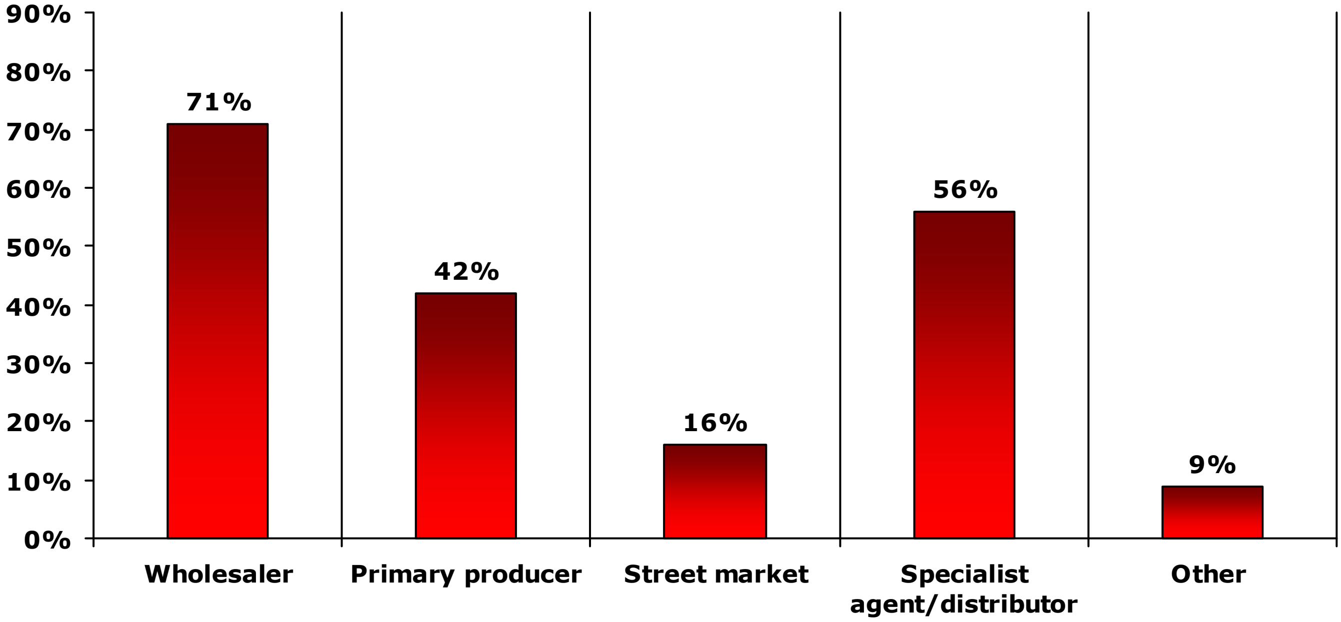


This information is of great relevance when cross referenced with the categories of local food that buyers 'would like to buy more of' (See 5.2.3). It enables suppliers to focus on the level of service that they need to provide in order to meet customer demands.

5.1.4 Where do they buy their food from?

Finally, in order to ascertain which supply chains are being favoured, buyers were asked to indicate through which suppliers they procured their food. The results are shown in chart 4 below.

Chart 4:



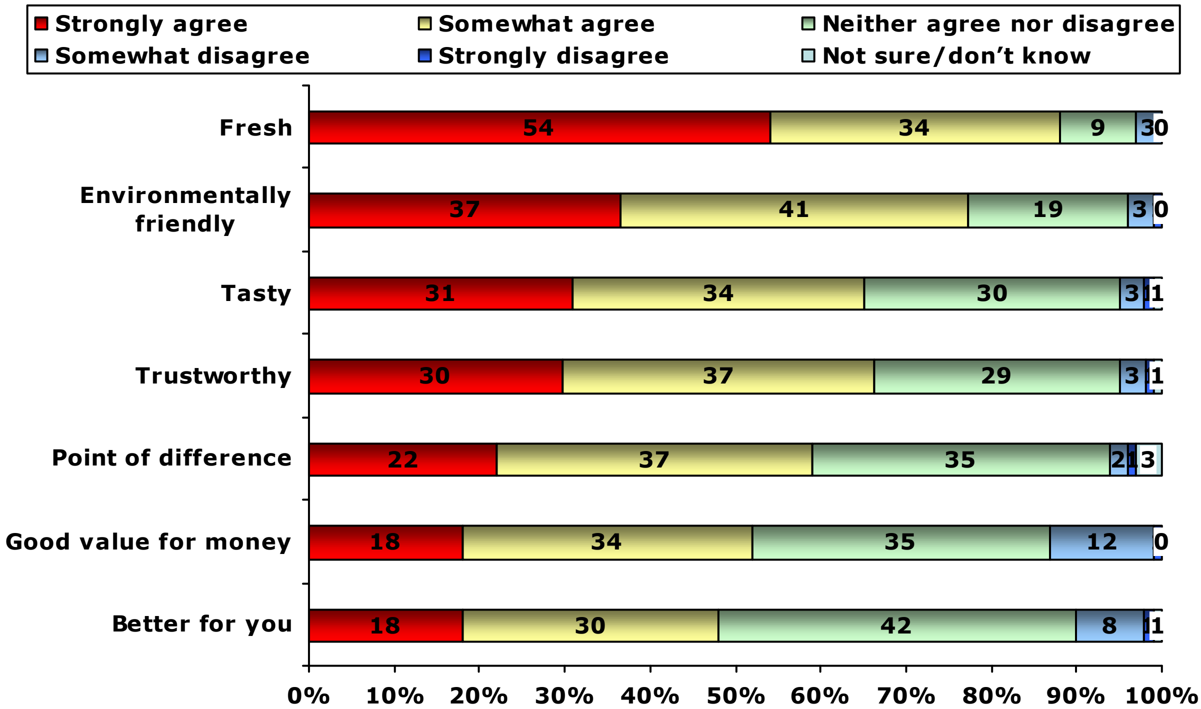
Interestingly in the hotel and catering sector, street markets are quite commonly used (much more than the average shown on the chart). Anecdotal evidence suggests that this is to 'shop for top up products', or 'to find new suppliers'.

5.2 Attitudinal Data on Local / Regional Food

5.2.1 What attributes are most closely linked to local food?

The buyers were asked to rank their level of agreement with a number of attributes that could be related to local food. As can be seen 'Fresh' comes out top, followed up by 'Environmentally Friendly'.

Chart 5:

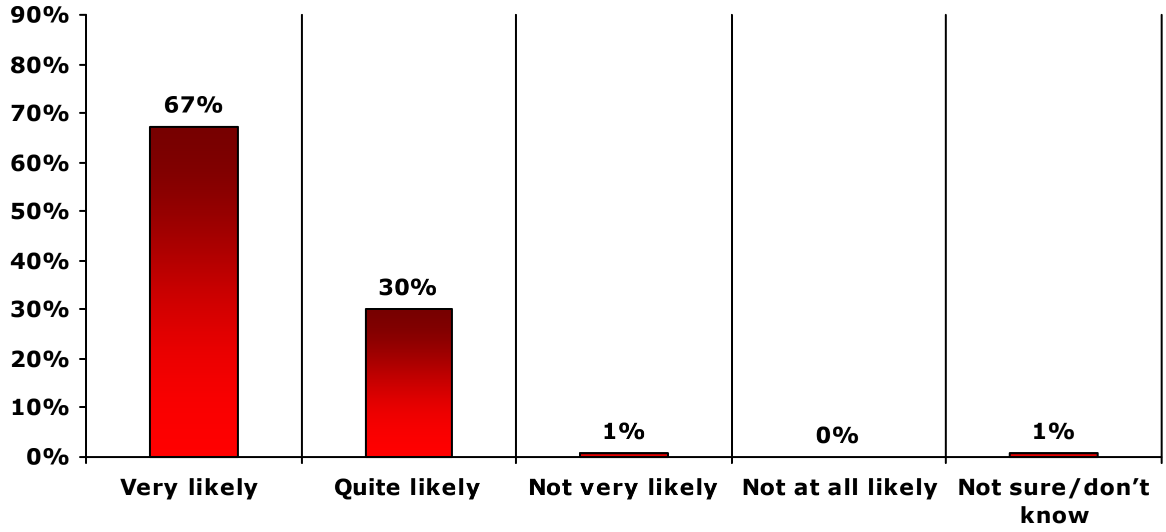


It is interesting to note that 'Fresh' is ranked as the attribute that is of most relevance to buyers (something which is increasingly mirrored by consumer surveys). The link between local food and beneficial environmental performance is also of great interest. Taken in tandem this gives a good indicator for food producers of the messages that they should be promoting.

5.2.2 How likely are you to buy local food in the future?

Buyers were asked to rank their likelihood of buying local food in the future, 67% answering 'very likely'. Interestingly, when cross tabulating this question with the answers from 5.1.4 above, there is a clear trend showing that businesses that use primary producers more than the alternatives, are most likely to buy local food in the future.

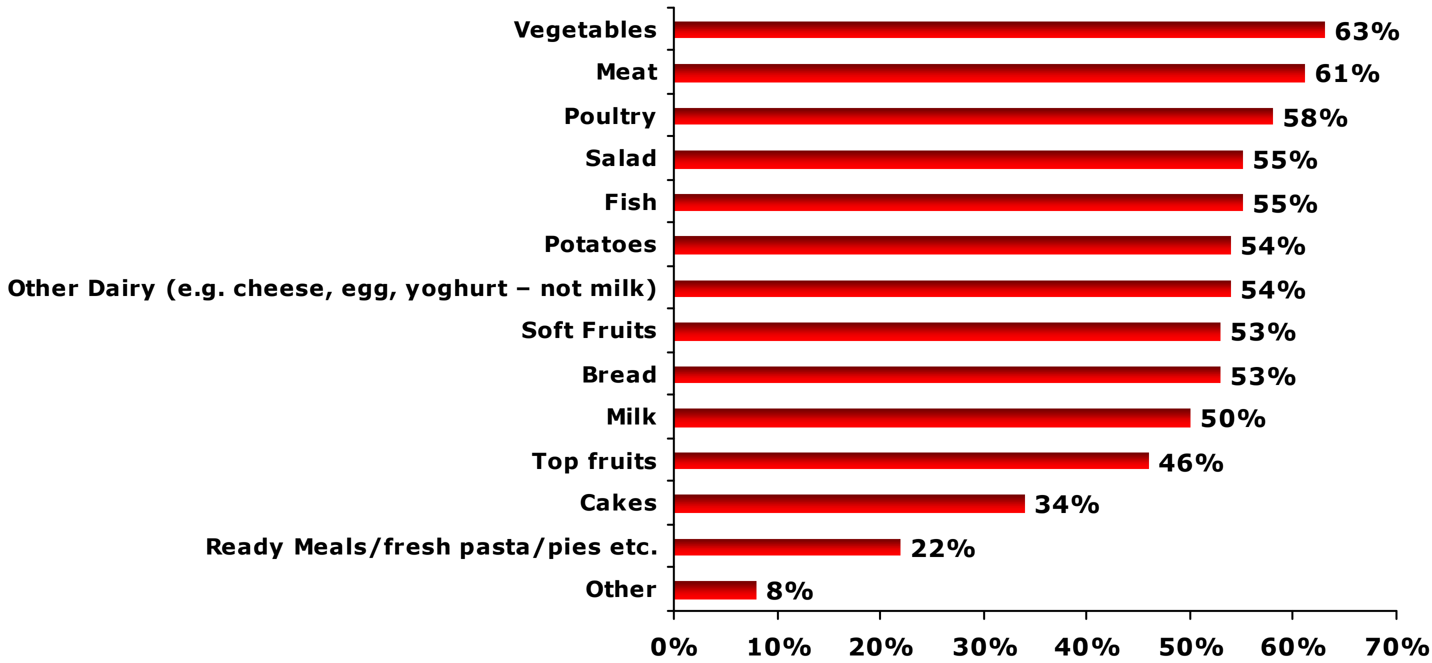
Chart 6:



5.2.3 Which categories of local and regional food would you like to buy more of?

In assessing the results of this question it is interesting to note the performance of the fresh food categories. Traditionally these are the areas (where generally speaking) the major retail and foodservice chains struggle to provide a strong local and regional food offer.

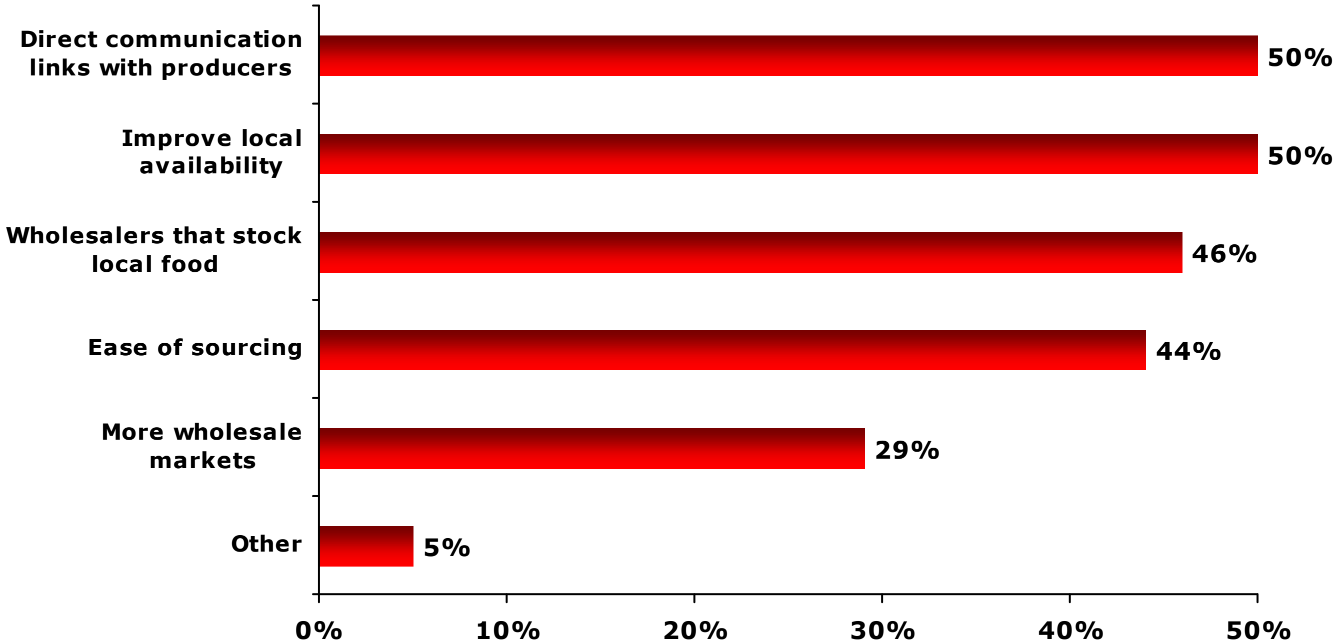
Chart 7:



5.2.4 What would improve the availability of local food?

Buyers were asked how local food could be made more available to them. Once again the links with producers seem to be of considerable importance.

Chart 8:



5.2.5 What are the barriers to being able to buy more local food?

To capture information about barriers, an open question was asked. Through analysis it was possible to group the answers under four common themes as shown in descending order of importance in Table 9 below.

Table 9: Summary and analysis of barriers

Supply Chain/Availability	e.g. 'unable to get the products to fit with my delivery requirements'
Skills and Processes not Compatible	e.g. 'Products not of consistent quality'. 'The supplier never phones me to take the order, it is always up to me to place an order' 'The product is a retail product, it is not suitable for the catering industry'
Cost	e.g. 'the cost is too high in comparison to competitor products, the point of difference is not enough to justify the premium price.'
Incompatible Company Policy	'All of our products are sourced through one contract'. 'I am unable to source any other lines'

By way of explanation, in grouping the various comments, those that related to the distribution function not being compatible in some way, were placed into the Supply Chain / Availability theme. Comments that were more orientated to the quality of the product, or level of service offered to the customer, were themed under 'skills and processes not compatible'.

Good food businesses are always looking for new products that they can use to help attract more customers. One of the hurdles they clearly face with small regional food businesses is getting a consistent product repeatedly. Food producers can considerably set back their development by taking too long to get their product to a both a high enough and consistent enough quality, resulting in the loss of what could be very valuable accounts. This is disappointing because the rise in demand for regional food makes it relatively easy for local food producers to introduce their products to a host of new customers. Not being able to capitalise on those opportunities is damaging, not just for their own businesses, it also has the affect (at least in the eyes of many buyers) of 'tarring with the same brush' other regional food producers.

6 In Depth Business Interviews with Buyers

To explore some of the challenges and opportunities for local and regional food in more detail, a number of buyers were interviewed. In particular the interviews sought to understand:

- the prices that suppliers were currently paying (in order to judge whether local and regional food businesses would be able to provide food at appropriate prices)
- any specific issues that buyers have in sourcing local food

A summary of the findings are as follows:

- Local and regional food is being used by buyers to differentiate their product range from their competitors.
- Higher priced local food (compared to the alternative) is not as much a barrier to trade as might be expected. Buyers generally report that they will pay more but only if it matches the right quality of product.
- To sell at a higher price than their competitors, local food businesses must be able to demonstrate either that their product is better in some way (such as freshness or quality) or that their level of customer service exceeds that of the competitors. As an example, providing exclusivity was mentioned twice as being an important facet.
- Being able to demonstrate to a buyer that (as a producer) you have researched their customer base in detail and shown how your product can 'fit the bill', is important in winning and maintaining a contract.
- Buyers generally like to use current distribution chains (which are often run by a key supplier), although they can be flexible. When looking for new products they often task their key suppliers to find the solution.

As a final point, one of the main contributing factors holding back buyers from stocking more local food is the lack of ability to be able to find new suppliers. A consistent comment across all the interviews was that identifying potential local food suppliers was difficult.

A list of the businesses interviewed can be found in Appendix 5.

7 In Depth Interviews with Producers

The objectives of the producer interviews were to establish:

- the extent to which producers understood the cost of getting their goods to the market
- the ability for a 'food hub' to be able to command a margin for the services that it provides

A summary of the key findings are provided below.

With regard to costs, it is clear is that many small businesses do not understand their cost base in the level of detail necessary to be able to make sound business decisions about what to supply and to whom. This is not so much the case with larger businesses as they have, by definition, often been in business longer, and subsequently have developed the knowledge and skills required to trade successfully.

For any business, the unit cost of getting goods to market is made up of:

- raw material costs
- labour costs
- packaging costs
- distribution costs

Most businesses should be able to pinpoint the exact detail of this at an individual product level, however smaller ones fall short especially in the case of distribution costs. Interestingly more general business overheads such as 'sales and marketing' were not apportioned at a unit level amongst any of the businesses interviewed. Smaller businesses in particular were less able to comment as to the amount of resource spent on sales and marketing, generally because this is a function performed by one or two individuals as part of their wider job roles.

Regarding the ability for a 'food hub' to be able to command a margin for the services that it provides, the answer comes down to the level of market need for its services, and its ability to meet that need. If a 'hub' in its loosest sense performs and creates a platform for sales, marketing, distribution and administration within the food sector, it should be able to derive an income that is a viable proposition for businesses throughout the supply chain. If it adds value it will by definition be able to capitalise on that value. The challenge will be to find a model which provides long term growth and profit potential.

A list of the businesses interviewed can be found in Appendix 6.

8 Section 2 – Conclusions and Recommendations

This section firstly examines the evidence that supports the development of a food hub. It then makes a series of recommendations, some related to the project, others related to further work that fall outside of its scope.

8.1 Proving the Case for a Food Hub

The work clearly highlights the considerable demand for local and regional food at both a consumer and buyer level. When translated into financial terms, this amounts to a potential value of £9.3 billion per year in London. It is reasonable to assume that this level of demand currently outstrips the ability to supply it many times over. The research also highlights the areas that tend to detrimentally impact on the development of customer / supplier relationships (see section 5.2.5). It is clear that the development of some new 'infrastructure' (a food hub) that helps link the two ends of the market place, whilst providing a service that helps to overcome some of the inhibiting factors would be merited. Assuming that this food hub is a new business, there are two areas that need thorough investigation:

- To understand the scope of its offer (i.e. the mixture of products and services).
- To understand if (in concentrating on this scope) both a suitable business model and business case can be built for its development.

8.2 Examining the Facts

At a demand level, it is the fresh food categories where the biggest opportunities lie, both at the consumer and business level. As table 10 overleaf shows, there are certain distinct business categories which should be the major target customers. Missing from the table are the major multiples, although this is not to disregard their obvious importance. Over time they have developed complex fresh food supply chains (both nationally and internationally) so that they can provide a reliable offer for their customers. Reliability and choice are critical. Against this backdrop and taking into account long standing supply chain relationships, it is clear that moving to local / regional supply chains in the fresh food categories is a considerable challenge for them. The hub therefore should focus on providing a solution to other sectors where there is more scope for flexibility.

An important role that the hub must play is also developing consumer awareness of the regional food sector. Section 3.3 references various reports providing evidence of potential consumer uptake if regional food was to become more available, and the buyer survey (sections 5.2.1, and 5.2.5) show how they are being influenced by the upsurge in demand at a consumer level. The evidence trail links buyer behaviour to consumer behaviour, and taken even in its raw form the data should help producers to be more educated on the opportunities available to them. Stimulating consumers to purchase more regional food is of paramount importance to the development of the industry. Their behaviour influences buyers positively, and the greater that buyers are influenced to buy regional food, the greater the number of producers that are able to capitalise. As the total market size grows new businesses are attracted to the market, and current businesses grow in terms of their capabilities, the jobs that they offer, and their value to the local economy.

Table 10: Analysis of the most wanted local product groups

Business Category and Subcategory	Most Wanted Local Products				
	1	2	3	4	5
Retail					
Independent	Milk	Bread	Cakes	Fish	Poultry
Hospital/Leisure Catering					
Restaurant	Poultry	Milk	Meat	Vegetables	Salads
Hotel	Vegetables	Fish	Meat	Poultry	Milk
Conf Centre	Fish	Meat	Salad	Vegetables	Pots
Outside or Event Catering	Bread	Meat	Poultry		Pots
Café/Coffee shops	Bread	Fruit	Fish	Meat	Vegetables
Gastro Pub	Bread	Poultry	Fruit	Fish	Milk
Wholesale Distribution	Vegetables	Meat	Soft Fruits	Pots	Top Fruit
Cost Centre Catering					
Schools/College	Meat	Pots	Vegetables	Soft Fruit	N/A
Profit Centre Canteen	Bread	Meat	Poultry	Salad	Milk
Hospital	Fish	Meat	Poultry	Pots	Soft Fruit

Many of the supply chains indicated above require a common solution, but at the same time each has many differences in the product types, the frequency of purchase, and the preferred delivery method. In many instances the supply chains are in place elsewhere, they merely need connecting appropriately so that supply and demand information can reach either end of the chain. In this instance, the hub's foremost need is to offer a sales and marketing function, and is best to operate primarily off a virtual platform. In other instances, the supply chain is not in place, and needs to be linked through the use of both current and new warehousing and distribution infrastructure. In this case the hub needs to take a more physical form.

In this latter case careful consideration will have to be made about the business case for developing and running new warehousing and distribution infrastructure, especially when there is already so much spare capacity in the market place that could be utilised as an alternative. It is likely that in order to build a sustainable business case, existing infrastructure will be heavily relied upon. In these instances using infrastructure that is owned (or used) by businesses that have strong relationships within the target markets and supply chains, is likely to be of considerable advantage.

The target customers indicated in the table all have one thing in common. When asked 'why they buy local food' the answers that have risen repeatedly in 1st and 2nd places are:

- 'it's because I like to know where food comes from'
- 'to support the local community'

See table 11 below.

Table 11: Summary of reasons why businesses buy local food

Business Category and Subcategory	**Reasons for Buying Local**	
	1	**2**
Retail		
Independent	Knowing where food is from	Attract More Customers
Convenience Store	Knowing where food is from	Attract more Customers
Hospital/Leisure Catering		
Restaurant	Knowing where food is from	Attract More Customers
Hotel	Knowing where food is from	Support Community
Conf Centre	Company Policy	Knowing where food is from
Outside or Event Catering	Attract More Customers	Knowing where food is from
Café/Coffee shops	Attract More Customers	Knowing where food is from
Gastro Pub	Knowing where food is from	Supporting Community
Cost Centre Catering		
Schools/College	Knowing where food is from	Support Community
Profit Centre Canteen	Knowing where food is from	Company Policy
Hospital	Knowing where food is from	Support Community

As a general rule these businesses also want greater access to producers, whilst at the same time enjoying greater availability both in their surrounding area, and from current and new wholesale suppliers. Table 12 overleaf highlights these results amongst this set of buyers.

Table 12: Summary of ways to improve availability

Business Category and Subcategory	Ways to Improve Availability		
	1	2	3
Retail			
Independent	Wholesaler	Producer	N/A
Convenience Store	Wholesaler	Producer	N/A
Hospital/Leisure Catering			
Restaurant	Producer	Street Market	Wholesaler
Hotel	Street Market	Wholesaler	Producer
Conf Centre	Producer	Wholesale Markets	Street Market
Outside or Event Catering	Wholesaler	Street Market	Wholesale Market
Café/Coffee shops	Street Markets	Producer	N/A
Gastro Pub	Producer	Wholesaler	Wholesale Markets
Cost Centre Catering			
Schools/College	Street Markets	Wholesaler	Producer
Profit Centre Canteen	Street Markets	Wholesaler	Producer
Hospital	Producer	Easier	Easier Sourcing

'Ease of buying' is also important to these businesses, and is backed up by anecdotal evidence from the business interviews. In summary, a one stop shop administrative system is highly desirable, and the greater the level of service that can be offered (in terms of order processing / stock management / delivery management / transaction house) the better.

Bringing these last two elements together is not that easy, and that is why the hub must have a virtual interface. Nearly all businesses who answered the survey want greater links to producers, and those that currently favour them over wholesalers for their supply, repeatedly answered that they are 'more likely to buy local food in the future'. However they also want it to be as simple as possible. Being able to have a strong and (interactive) relationship with the producer is clearly critical, as is the need to undertake the administrative transaction across a range of purchases in one place.

8.3 Recommendations

Aligning these conclusions with knowledge of the London food system suggests that the following two elements (each of which are equally important) are incorporated into the next stages of the project. As such they should be investigated further through to full business plan level in the next stage.

- The development of a virtual B2B e-marketplace that provides 'desk top' access to local and regional fresh food is of great importance. It would enable businesses to 'meet producers', select and buy products, and organise distribution with just a few clicks of the mouse. An important part of this would be to link closely with the existing supply chain infrastructure. The wholesale markets should play a key role, and the ability to harness the businesses and the supply chain relationships that they have, will be an important part of successfully developing the virtual hub.
- The development of 10 to 20 street markets to become local food beacons at key locations across Greater London is seen as an important aspect to raising awareness of regional food at a consumer and business level. The markets should be selected based on an assessment of the density of potential consumers, and the level of access for local businesses (both customers and suppliers). This development has the potential to support the need to provide food access in key communities.

In essence the recommendations perform two functions. They suggest the development of the necessary infrastructure to foster greater market access through the supply chain. In addition they support the development of a strong offer to consumers, helping to stimulate the long term demand for local and regional food where it counts – something which should stand the hub and all other businesses in the British food sector in good stead over the coming years. The ability to succeed on both fronts will also be further enhanced if the hub becomes the focal point of communication to consumers, so that they are given clear and consistent messages about the opportunities for buying local food in London.

8.4 Opportunities for further work

The methodology of the study and the weight of evidence gained provides an excellent starting point for a host of other important recommendations. With further work, it has the ability to inform both strategy and tactics across the public and private sectors, to help guide the way in which businesses focus their efforts in capitalising on this important market place. In particular:

- The wholesale markets have been targeted for support with the creation of the Business Development Manager roles. Whilst the strategy to focus on the wholesale markets is correct because of their importance to the London and UK food sector, what should now be done is use this work to assess in detail the type and level of support that should be provided in the future. If the business development managers are to stay, their roles need to be redefined and managed in a different way in order to best exploit the potential benefits.
- The study provides a basis of market intelligence that could be provided to producers / suppliers to enable them to understand in much greater detail the extent of the market opportunity, and how to capitalise through the development of appropriate products and services.
- Of great value would be a detailed study of future production and consumption levels (beyond the headline figures provided in this study). This could ascertain in more detail how production in the regions can be more tailored to London's consumption needs. Any study should focus on key product categories (vegetables etc).
- Trade development initiatives undertaken by SEFGP, Tastes of Anglia and other organisations could use the work to help target priority opportunities. For example it is clear that there is real opportunity to increase local production of beef, lamb, poultry, fish and especially fruit and vegetables, to match demand in London.
- Within the GLA and at a regional level the work could be used to inform future strategy towards the sector, and be used as a tool to assess the scope and direction of projects that are currently in train.
- Given the debate around food security, the study highlights significant trends related to demand and levels of production. It also highlights some distinctive knowledge gaps that make assessing future food security difficult. These knowledge gaps need to be addressed.
- At a regional level, given the proven demand for local food, wider food security issues and the Government's drive for farmers to produce more, the work could be used to inform supply chain development to capitalise on the London food hub.
- It could also be used to help guide RDPE funding as it highlights which business areas to concentrate on. A particular focus could be on undertaking a benchmarking study on costs of production within regional food businesses.
- Finally there should be an opportunity to link this work into the strategic planning of any food related projects linked to the Olympics. The games provide a great springboard to support the regional food sector, and a great deal of momentum could be gained by working closely in

partnership. For example, the development of a flagship food centre themed on 'Great British Food' could be an exciting opportunity to raise profile and awareness at a consumer level, in the same way that other flagship London businesses are able to achieve.