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United Kingdom

Market Development Reports

UK Consumer Trends

2000

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Report Highlights:
This report describes the UK consumer and identifies the major UK market trends affecting food purchasing choices. The report aims to give a U.S. exporter an indication of the factors influencing the likelihood of purchase by a UK consumer and therefore the potential success of pursuing exports to the UK.

Includes PSD changes: No
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The UK Consumer

Overview

The UK consumer may be described as relatively affluent, sophisticated and well informed with a high level of women in the work force. UK disposable income has risen along with the rise in dual income families (71% of families in 2000). Information about food safety, ethics of food production, perceived health benefits or riskiness of different types of food is readily available in the UK. The high level of awareness of food issues by the general public, the aging of the UK population, as well as the rise in one person households has had a major impact on the purchasing habits of UK consumers. The trend to a time-poor lifestyle (UK average time spent on cooking is 47 minutes per day) and breakdown of the traditional family structure has affected and will continue to drive innovation in packaging, convenience and choice.

Demographics

The UK resident population in 1998 was estimated at 59.2 million of which 49.5 million lived in England, 5.1 million in Scotland, 2.9 million in Wales and 1.7 million in Northern Ireland. The South East of England, including London, is the UK's largest population center, accounting for just over 15 million people. This area also has the highest disposable household income per head: London has an average of $17,734 while the South East is close behind at $16,894. This is in sharp contrast to the North East which has an average disposable household income per head of $12,928.

The UK population is expected to peak at 62.9 million in 2036 due to the baby boom effect and then gradually decline. The UK has an aging population with around 20% (12 million) at age 60 or older. It is estimated that by 2041 (on account of the "baby boom" generation reaching retirement age) the UK population over age 60 will increase to make up 30% of the UK population.

UK Population Projections in Thousands

Age	2001	2021	2041	Trend
0-14	11,289	10,368	9,851	9
15-29	11,197	11,221	10,757	9
30-44	13,747	11,687	11,149	9
45-59	11,228	13,033	11,766	8
60-74	7,752	10,574	10,665	8
75+	4,406	5,361	8,066	8
TOTAL	59,618	62,244	62,256	8

Gender	2001	2021	2041	Trend
Males	29,377	30,916	30,813	8
Females	30,241	31,328	31,443	8
TOTAL	59,618	62,244	62,256	8

Source: NTC Marketing Pocket Book 2000
(Office of National Statistics; General Register Offices; UK Government Actuary Department)

Household Structure & Income

The size and make-up of UK households has changed significantly in the last 30 years. According to last available figures (1997-98) 28% of all households consist of one person living alone, a figure that has doubled since the early 1970's. The proportion of UK families headed by a single parent has reached 25%, up from just 8% in 1971. A growing number of married or cohabiting couples are deciding not to have children - currently 34% of households consist of just two people with no children living at home.

The average weekly earnings in 1999 before tax of all full time employees on adult rates was almost $630, with men earning 10 percent above this average and women around 20 percent below this amount. In 1999, the UK workforce totalled 27.8 million of which 24.3 million were employees, 3.2 million were self employed and 1.7 million reported as unemployed.

Food Expenditure and Consumption

Women remain the main shoppers for food, 31% of which have children. A survey of female main shoppers was completed in 1998-99 which found that almost 47% were working either full or part time. As can be seen from the table below, expenditure on food both eaten in and out of the home continues to rise. This is attributable to consumers prepared to pay more for convenience items and that dining out has become the UK's number one past time.

Consumer expenditure on Food
(Per Person Per week in $)

Food -	1995	1996	1997	1998
Eaten At Home	25.00	26.34	26.74	27.10
Eaten Out	9.32	10.45	10.58	10.77

SOURCE: National Food Survey 1998, Ministry of Agriculture, Fisheries & Food

According to the National Food Survey 1998, the number of meals eaten out in the UK has risen steadily in the 1990's to more than 3 meals per week eaten out by average households. The highest incidence of meals eaten out was recorded by single parent households who eat out on average 4 times per week. According to a 1999 survey by Meal Trak, burgers are the most popular meal eaten out, followed by pizza, Chinese chicken, chicken curry and fried chicken.

Food & Drink Consumption in Great Britain

(figures represent kilograms or litres per head per annum)

Product	**1980**	**1990**	**1997**	**Trend**
Dairy products	146.88	120.75	114.45	9
Meat & meat products	56.32	48.45	48.57	9
Fish & fish products	7.08	7.47	7.59	8
Oils & fats	9.87	9.87	8.58	9
Sugar & preserves	19.49	11.37	8.79	9
Potatoes & potato products	64.89	58.71	48.93	9
Other Veg & veg products	60.51	58.25	58.24	-
Fruit & fruit products	40.74	45.63	54.76	8
Nuts & pulses	1.11	1.14	1.04	-
Cereals & cereal products	81.66	71.63	78.94	-
Beverages	4.42	3.62	3.02	9
Mineral water	0	2.9	6.5	8
Beer	152	139.8	128.3	9
Wine	10.2	15.74	20.98	8
Spirits	2.24	2.1	1.77	9

Source: NTC Marketing Pocket Book 2000
(HM Customs & Excise; National Food Survey; Office of National Statistics)

Appliance ownership

In the UK, 77 percent of all households own a microwave oven, up from 55 percent in the early 1990's. Ownership of fridges-freezers is now up to 93 percent, a figure which has doubled since 1981. Seven out of ten households now own at least one car. Quicker methods of preparing foods, more reliable storage of foods, different modes of procurement of food, and increased car ownership in the UK have all influenced consumer habits for purchasing, storing, preparing and eating their food.

UK consumer durable penetration 1998 (%)
Source: NTC Marketing Pocket Book 2000/GfK Marketing Services Ltd

Microwave oven	77	Electric toaster	64
Refrigerator	100	Food mixer	35
Separate freezer	39	Sandwich maker	44
Fridge freezer	62	Slow cooker	20
Coffee maker	25	Deep fat fryer	32

Internet & home delivery

Ownership of personal computers (PC's) in the UK doubled in 1999 to 34 percent, with nearly 50 percent of families with children having a PC at home. Reportedly there are 14 million Internet users per month in the UK, combining both home and work usage. According to Taylor Nelson Sofres, one in five of UK Internet users have bought foods or services during the past month, while 13% of users planned to do so in the next six months, highlighting the huge potential for e-business.

Food Safety

The UK has experienced an unfortunate number of food safety scares over the past 10 years from listeria in UK eggs, BSE in UK beef, to E. coli outbreaks in UK butcher shops and catering outlets. The hysteria caused by these incidents has been fanned by prominent and sensational media coverage. The seeming lack of competent authorities to ensure the UK food supply is wholesome and safe has led to a general mistrust of the government's food policy. In reaction to this, the government established the Food Standards Agency (FSA) in April 2000. The FSA provides advice and information to the public and to the government on food safety, nutrition and diet. It's objectives include consumer protection and improving consumer choice through meaningful labelling. This has been the government's attempt to try to end the climate of confusion and suspicion about the way that food safety issues have been handled in the UK. It is too soon to tell how far the FSA will go toward dispelling UK consumer mistrust of food policy and regulation.

Biotechnology

Biotechnology has attracted a lot of attention in the UK. The first GM products introduced in the UK focussed on agronomic benefits that are of no direct benefit to consumers. This lack of consumer benefit and choice together with a distrust in the UK government following the BSE crisis has turned the introduction of GM foods into a public relations problem in the UK.

In spite of all this, consumer opinion appears to be mixed. A recent survey done by National Opinion Poll Solutions for CROPGEN, a new crop biotechnology information initiative in the UK, showed that 46 percent of people in the UK would eat food containing GM ingredients while 50 percent said they would not eat GM foods. The overriding message from the survey was that there was a need for more information on GM foods.

The government has taken a cautious but positive approach to the new technology, supporting crop trials to determine environmental safety in spite of pressure from environmental groups for a moratorium. Crop trials of GM rapeseed, fodder beet and fodder maize are being conducted alongside the standard varieties. The government is working with the industry group SCIMAC (The Supply Chain Initiative on Modified Agricultural Crops) on the controlled introduction of GM crops into the UK.

All of the major food retailers in the UK are attempting to remove GM ingredients from own label products. Since the retailer that specializes in frozen food - Iceland - started this ball rolling in May 1998, all of the other multiples have followed suit. Most cite consumer demand as the reason, although many industry sources believe it to be taken as a position for marketing purposes. According to EU regulations, any foods sold through retail outlets which contain corn and soy ingredients must be labelled accordingly. The UK's Food Standards Agency enforces the EU labelling regulations which may be found on their website - www.foodstandards.gov.uk . All GM foods marketed in the UK must be approved by the Advisory Committee on Novel Foods and Processes.

Labelling of products sold to the catering industry is also required. Catering staff are expected to convey the information verbally or through information on menus describing the GM products used.

Imports of animal feed products such as U.S. corn gluten feed and soybean meal have been largely unaffected by the GM food controversy. To date, corn and soybean by-products of GM crops do not have to be labelled as such but it is very likely that the new EU Novel Feed legislation may introduce more stringent labelling requirements here. Some in the industry, especially those producing organic and high value meat products, have sought GM-free feed sources. The major supermarkets also are attempting to source GM-free feed for their meat supplies.

The second wave of GM foods, those for which the genetic alteration will enhance the health-bestowing attributes of the product, may stand a greater chance of acceptance in the UK as the consumer strives to achieve a healthier diet. Consumer education programs would be required to convey this information and to dispel the negative attitudes already developed toward genetic modification of food.

Information and direction to further reading sources on the subject of UK/EU biotechnology regulations can be found in the UK's Food and Agricultural Import Regulations (FAIRS) Report available from USDA London directly or at www.fas.usda.gov .

Organic Food

Increased consumer awareness of food safety and environmental issues in the UK as a result of highly publicised food scares has fuelled the growth in demand for organic foods . Increasing concern about chemical residues in food has also had an impact. Organic food is perceived by UK consumers as safe, natural and unsullied. According to MORI Research (June 1999), one third of UK consumers buy organic food. Of the reasons cited for purchasing organic food, 53 percent buy organic because they perceive it as "it is healthier for you". Other reasons for buying organic included "better taste", "environmental friendliness" and because it is perceived as being "animal welfare friendly". High prices and a less attractive look has in the past deterred some consumers from buying fresh organic produce.

The market for organic food in the UK has great potential as overall demand is growing faster (40 percent per year) than supply (25 percent per year). In the UK, retail sales of organic food in 1999 reached over £390 million, up from £150 million in 1995. Increases in sales of 20 –25 percent annually have been reported throughout the 1990's. Domestic production only covers 30-35 percent of consumption, so the market for imports is substantial. The UK imports organic products from the EU and other countries.

Fresh fruit and vegetables, much of which is imported, account for over 50 percent of total organic sales but cereals, dairy products, meat and poultry and baby foods are also important sectors. Most UK supermarkets are beginning to stock organic convenience foods offering new opportunities for suppliers of organic cooking sauces, salad dressings, beverages, confectionery, snack foods and frozen foods. This area is likely to offer the most opportunity for imports since composite organic manufacture is still limited in the UK.

Supermarkets account for over two-thirds of UK organic sales. Independent retailers, box schemes and farmers markets and shops account for the rest. Iceland recently promised to charge the same price for organic frozen foods as for non-organic foods. This move, which could potentially increase interest and demand for organics, follows on from WalMart-owned ASDA's launch of a low priced own label organic range.

Surveys have shown that up to 80 percent of consumers, traumatized by food scares(which as yet have not tainted the organic sector), would buy organic produce if it cost the same as conventional food. This has become a controversial issue as The Soil Association, the industry group representing most organic growers, admits that there are extra costs associated with growing organic products. Equal pricing for organic vs. non-organic produce in the UK could dampen farmer interest in production.

Imports of organic products may be marketed in the UK once they have passed an approval process run by the UK Register of Organic Food Standards (UKROFS). U.S. products for sale as organic exports must be certified by a body in the U.S. complying with EN45011 or ISO 65. The U.S. certification must include a statement to assure that the product has been produced without the use of genetically modified organisms. In addition, UK companies wishing to import organic products must be registered with an approved UK inspection (certification) body. The most prominent of these certification bodies is The Soil Association which claims that it certifies more than 70 percent of all UK organic products.

Further information is available in a Market Brief on the UK Organic Market, available from USDA London directly or at www.fas.usda.gov .

Healthy Eating/Functional Foods

There is a growing interest in the UK for healthier food alternatives. Food products offering health benefits such as foods that are lower in calories, sodium, cholesterol and overall fat levels have become popular. All of the major food retailers offer a line of products clearly labelled as healthy alternatives.

This trend has been taken a step further in the design of foods that bestow certain health promoting qualities. The first wave of these foods called functional foods or nutraceuticals have been aimed at reducing the incidence of heart illnesses. For example certain dairy-based drinks (called pro-biotic drinks) and spreads which claim to offer cholesterol-lowering properties are becoming increasingly popular. These products may be developed to target various sectors of the population.

Tesco, the UK's largest food retailer, is planning to launch Aviva - a new range of functional foods in 2001 which will include breakfast cereals and cereal bars, hot chocolate, biscuits, and orange drink. These products will claim to reduce cholesterol, maintain bone strength and promote a healthy digestive system.

With over 20 percent of the UK population forecast to be over 65 by the year 2021, research done by Leatherhead Food Research suggests that food products will be developed that are nutritionally engineered to fit specific dietary requirements of older people.

The regulatory process has not kept pace with the advent of these new products in Europe. So far there is no EU directive in place specifically to regulate the sale and labelling of functional foods. Products to be imported into the UK must seek approval through the Trading Standards Authorities at the port of entry. Contact numbers for the Trading Standards Authorities may be obtained through the Association of Port Health Authorities at their email address – apha@cieh.org.uk. Any health claims on functional food products must be substantiated. If the product is determined to be a medicinal product and not a food, the exporter must apply for a product licence through the Medicines Control Agency, Border line Substances Division in London at Telephone:
011 44 20 7273 0602.

Approval procedures can be complex (is it a pharmaceutical product or is it a food ?) and there are high costs associated with entering this market. However, functional foods are likely to continue to present opportunities in the UK market.

Vegetarianism

According to a National Opinion Poll in 1998, there are approximately 4 million vegetarians in the UK representing almost 7 percent of the population. This figure has risen steadily over the last 5 years with women twice as likely to be vegetarian as men. A 1999 Gallup poll reported that 45 percent of the UK population are actively reducing their consumption of red meat. Other studies suggest that this figure could be as high as 65 percent. The UK retail market for vegetarian foods is increasing by 8 percent year on year. The total chilled meat-free sector market was worth $340 million in 1999.

Consumer concerns about the safety of meat has been one of the primary reasons for the decrease in meat consumption (almost all types of meat in the UK have had some sort of food safety scare). However, ethical concerns about animal welfare and an increasing awareness of what comprises a healthy diet have all contributed to the rise in so called “meat reducers” in the UK. According to the Vegetarian Society, as much as 40 percent of vegetarian foods are now bought by meat eaters, indicating how the market has moved into the mainstream.

Demand for meat-free alternatives has in the past been curbed by a lack of good quality, good tasting, meat substitutes. Many of the earliest vegetable based proteins did not live up to consumer expectations. Years of research and development are now paying off with good tasting meat-free bacon, sausages, hamburger and chicken available on the market. Demand for meat-free sausages is expected to be especially high. Also, meat-free alternatives in the form of pieces which may be incorporated into stir fries, casseroles or pasta dishes have appealed to those seeking ingredients for easy meal preparation.

The UK’s Vegetarian Society has given it’s stamp of approval – the “V” sign to over 2000 product lines. While the Society has not made a formal statement, it has indicated that GM technology is not to be tolerated in vegetarian foods at least until more is known about the food safety and environmental implications.

Ethnic Foods

Since the end of World War II, the British have been gradually widening their exposure to international foods. European foods (such as Italian) have become widely accepted and incorporated into British cooking. However, the British have more recently developed a taste for more exotic ethnic foods. This interest continues to grow in the UK, fueled by long haul travel (over 6 million trips are expected from this country this year), an increase in variety of restaurants in the UK, high profile television cookery celebrities, as well as greater availability of ethnic meals and ingredients in supermarkets. According to an April 2000 study by AC Nielson, the ethnic food market is worth $370 million, up more than 16 percent from the previous year with the Indian, Oriental and Mexican sectors showing the greatest growth. One prominent ethnic food company estimates that this market will grow to £340 million by 2003.

Many parts of Britain are now "ethnic" with the practices and traditions of Asia and the Caribbean having a great influence on society. A good example of this is the fact that the nation's number one favourite ethnic dish is chicken tikka masala. The younger generation is becoming increasingly comfortable with ethnic foods, branching from the traditional favorites of Indian, Chinese and Italian to include the cuisine of countries like Malaysia, Vietnam, Indonesia, Japan, Thailand, the Caribbean and Mexico.

Ethnic foods are marketed in various ways with instant meal solutions becoming increasingly popular. All the major UK multiples offer expanding ranges of ethnic ready meals some available in restaurant style take away format. Microwaveable snack foods, cooking and stir fry sauces, and ready prepared ingredients offer excellent opportunities. Convenience, authentic taste and easy to use packaging are all required for product success. A niche market for ready meals for the Moslem community has remained largely untapped as few companies offer meals made with Halal meat.

Increased foreign travel, more disposable income and an interest in experimenting with new foods means that further growth is likely in the retail ethnic food market.

Ready Meals/Microwaveable/Packaging

Changes in packaging are influenced by the so called "greying" of society, by the rise in one person households, and by a continuing focus on convenience in food preparation. Future developments in packaging are likely to address improvements in food safety, better maintenance of colour and taste, ease of opening, lengthening of shelf life, and increased use of environmentally friendly packaging materials.

According to the study The UK Food System – A Vision of the Future (2000) by Leatherhead Food Research, one-third of all households will be single person households by 2011 thus increasing demand for a greater variety of pack sizes and more portion-controlled products. Currently 75% of meals are for just one or two persons.

As the proportion of the population over 65 increases, specific packaging requirements to cater to their needs will be sought. Older consumers require food packaging that is easy to open and close with easy to read labelling. As many older people live alone, they will fuel demand for small pack size to avoid waste.

The continued focus on convenience foods and ready meal solutions means that more products will be sought with packaging suitable for the microwave or other simple preparation methods. More fresh foods presented in a convenient format which require little work to prepare will be in demand, especially if they may be purchased in differing sizes. Consumers will expect that foods will match the sensory qualities associated with traditionally cooked foods after microwaving. Convenience is now expected in food products and in many families where incomes have increased, convenience has become even more important than cost.

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