WHAT ROLE DOES PROVENANCE PLAY IN TRADE PURCHASING DECISIONS?

Trade Market Report

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1) Introduction

Food and drink provenance – the geographical origin of what we consume, and the methods used to produce it – has assumed increasing importance in recent years. There are a number of reasons for this shift in perspective, which include a host of food scares, such as Foot and Mouth Disease, as well as increased media focus on food and beverage issues. These factors have driven consumers to consider the importance of where their food and drink comes from, how it has been produced, how it has been traded, and finally how it reaches the trade outlet it has been purchased from.

In order to highlight the potential impact provenance can make on the trade; this report will focus on five products from three European regions whose specific regional factors determine their uniqueness and point of sales difference. These include Parma Ham, Parmigiano-Reggiano cheese (both from Parma), Burgundy wine, Port and Douro Valley wines.

These products are also the focus of 'Discover the Origin', a campaign financed with aid from the European Union, Portugal, France and Italy. The campaign aims to raise awareness around the importance of provenance and quality, which are at the heart of these five key European products.

The aim of the campaign is to highlight their importance amongst ABC1 and to educate them on the PDO and AOC stamps of approval, demonstrating the fact that they indicate quality and authenticity. Concurrently, the aim brings awareness to distributors and food and drink professionals to drive sales of these products. This will be achieved by educating them on the benefits their quality image offers the trade commercially, and by encouraging consumers to shop for specialist products at independent Delicatessens and wine merchants.

Through a range of targeted educational activities throughout the three years, 'Discover the Origin' will highlight how origin is at the crux of the quality of these products and encourage a greater respect of, and appreciation for, these PDO and AOC products in the UK. Further to this, throughout the campaign consumers will be encouraged to spend more time over meals, enjoying them as sociable occasions with friends and family, where delicious food is matched to the perfect wines to cut through hectic modern modes of living.

2)Aims of this report

Whilst a heightened food and drink social conscience has arisen amongst a growing customer base in the UK, the rules surrounding provenance can be complicated and can prevent consumers from acting on their instincts. Education is clearly needed if origin is to fulfil its potential importance in purchasing decisions. This report will expand on how this can be achieved in all areas of the trade.

Concurrently, the report considers where provenance sits in the order of consumers' priorities when buying food and drink, and how retailers, restaurants, chefs and sommeliers communicate a product's origin to shoppers. It will also consider how improving the quality of this communication to shoppers could boost bottom lines.

Finally, it will examine the factors preventing consumers from raising provenance to the top of their food and drink purchasing agendas, and how the trade can turn this situation around. These include reduced spend on food and drink because of the credit crunch, hectic lifestyles and a lack of knowledge in this area.

3) Key issues covered in this report

- Will food and drink provenance continue to rise in importance?
- Can embracing the concept of provenance bolster bottom lines?
- What drives the current trend for provenance, and what, if anything will continue to fuel future growth in this area?
- The factors holding back growth in this area.
- Focus on UK demographics.

4) The products focused on in this report

On June 12th of 1996, the European Commission (EC) issued a list of 318 European secured products and foodstuffs that cannot be reproduced, "in close resemblance and called by same name as the original". Among these, which now have PDO status, are Parma Ham, Parmigiano-Reggiano cheese, Burgundy wine, Port and Douro Valley wines.

Parma Ham
What makes Parma Ham unique?

- Prosciutto di Parma is one of an elite group of foods designated by the European Union as PDO (Protected Designation of Origin), certifying that the product has been produced in the traditional way in a specific geographic area.
- Prosciutto di Parma can only be pre-sliced and packaged in the Parma region under the watchful eye of official inspectors. The Ducal Crown logo, found on every package of pre-sliced Parma Ham, guarantees the quality and authenticity of the product.
- Only hams produced and cured in the hills around Parma may become Parma Hams.
- Parma is located in north central Italy between Milan and Bologna. All Parma Ham producers must be located within the geographical boundaries of the Parma production area, 5 km south of the via Emilia, limited to the east by the river Enza and on the west by the river Stirone, and up to an altitude of 900m.
- "Prosciutto" is from the Latin "perexsuctum" meaning "dried" - an indication of the purity of Parma Ham production and its ancient roots.
- The name 'Parma Ham' is reserved exclusively for hams bearing the Ducal Crown.
- The combination of the region's climate, the specially bred and fed Italian pigs and production methods passed on from generation to generation, all contribute to the ham's unique qualities.

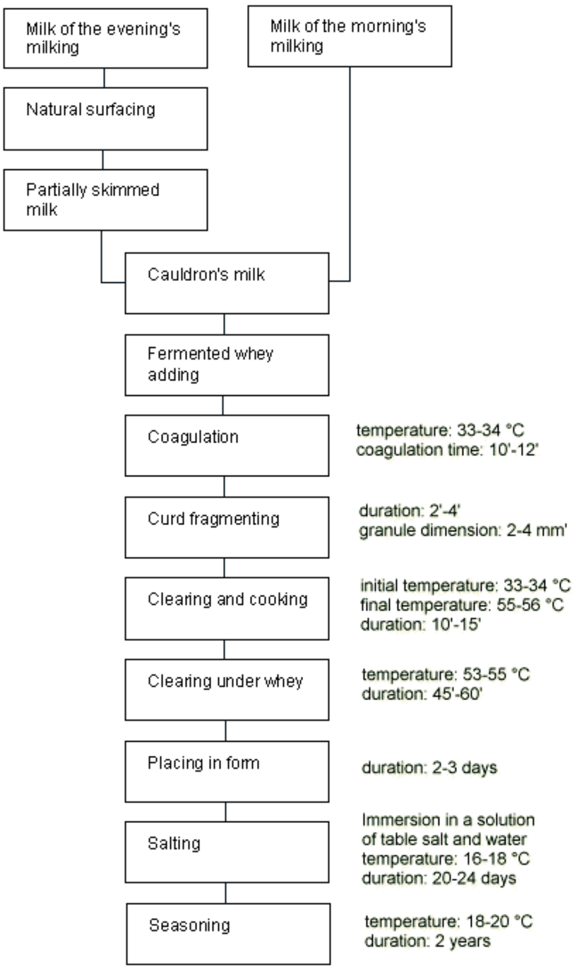
Production Process

- There are 167 firms in operation today producing Parma Ham.
- Four ingredients are essential to the production of Prosciutto di Parma: Italian pigs, salt, air and time.
- Prosciutto di Parma is an all-natural ham – additives such as sugar, spices, smoke, water and nitrites are prohibited.
- The hams are made from the rear haunches of pigs bred in north-central Italy specifically for Prosciutto di Parma production.
- Their feed, too, is specially formulated — a blend of cereal grains and whey from Parmigiano-Reggiano cheese production. The pigs are nine months old and must weigh a minimum of 340 pounds at the time of slaughter.
- Parma Ham is not smoked. It is cured through a natural process of salting and air-drying, for a minimum of 12 months. Prosciutto di Parma is 100% all natural.
- Making a Parma Ham is a long and painstaking process. The curing is controlled carefully so that the ham absorbs only enough salt to preserve it. By the end, a trimmed ham will have lost more than a quarter of its weight through moisture loss, helping to concentrate the flavour.

Parmigiano-Reggiano Cheese
What makes Parmigiano-Reggiano cheese unique?

- Parmigiano-Reggiano cheese is a hard, fat granular cheese, cooked but not pressed, named after the producing areas of Parma, Reggio Emilia, Modena, Bologna, in Emilia-Romagna, and Mantova, in Lombardy, Italy.
- *Parmigiano* is simply the Italian adjective for Parma; the French version, *Parmesan*, is used in the English language.
- The Consorzio del Formaggio Parmigiano-Reggiano cheese was founded back in 1934 to incorporate the dairies producing this cheese.

Production Process



Alternatives to Parmigiano-Reggiano Cheese

- Granted protected designation of origin status by the European Commission (EC) in January 2008, Parmigiano-Reggiano cheese can only be produced in designated regions within the zone of origin: Parma, Reggio Emilia, Modena, Mantua, and Bologna.
- However, it soon came to the attention of the Parmigiano-Reggiano cheese consortium (563 cheese-producer members allied with 7000 milk producers), that Parmigiano-Reggiano cheese of inferior quality was being sold under the name of Parmesan.
- As a result, a court case in 2002, was brought before the European Court of Justice addressing whether the terms Parmigiano-Reggiano cheese and Parmesan were identical. The court ruled that, in fact, the two terms were identical and the protected designation of origin status granted to Parmigiano-Reggiano cheese was extended to the term, Parmesan. The court ruling has ultimately affected fifteen European Union (EU) member states that produce cheese under the name, Parmesan.

- Other competitors with the PDO mark include Pecorino Romano (Lazio/ Tuscany), Grana Padano (Lombardy/ Veneto/ Piedemont) and Asiago (Vicenza/ Veneto). These are all produced in a similar way to Parmigiano-Reggiano cheese.

Burgundy wines

What makes Burgundy wine unique?

- Burgundy wines have enjoyed notoriety and distinction since the 14th century.
- In an effort to maintain high quality, the Duke of Burgundy Philip the Bold, issued a decree that Gamay could no longer be used, but rather, high quality low yielding grapes: Pinot Noir and Chardonnay. This ensured the excellent standard of Burgundy wines.
- Burgundy vineyards cover five main areas of production, from north to south; the vineyards of Chablis and the Grand Auxerrois; Côte de Nuits; Côte de Beaune; Côte Chalonnaise and finally the Mâconnais.
- Terroir is the foundation of the originality of Burgundy wines. In Burgundy, the Appellation d'Origine Contrôlée criteria are rooted in the terroir. The notion of the terroir is very wide, and includes many factors.
  Natural factors:
  - direction the plot faces
  - altitude
  - depth and drainage of the soil
  - the year's climactic conditions
  - micro-climate

  Human factors:
  - cultivation methods, from pruning through to harvesting wine-making and ageing processes in the cellar
- Today, after more than 1000 years, the terroir continues to assert itself in Burgundy as a modern concept, copied all over the world because it represents and conveys values of origin, authenticity, tradition and typicity that are dear to consumers.
- In Burgundy, the geological origin and the physical and chemical composition of the soils are highly diversified and vary from one vineyard to another, but also within the same vineyard, the same village and the same locality. This explains why the Burgundian vineyard is like an immense mosaic made up of thousands of plots of land (called 'climats' in this context), often very small indeed (Romanée is the smallest appellation in the world with 0.8 hectare).

Production Process

- Burgundy vineyards produce 204,000 million bottles.
- In Burgundy the winegrowing estates and the wine-merchants (négociants) are the two pillars of the wine industry. However, their respective roles are evolving to the point that the lines are becoming blurred between these two complementary functions.
- There are 4 000 wine makers in Burgundy, including 1300 who bottle their own wine. The others sell their grapes to negociants or bring them to co-operatives.
- There are 250 wine-merchants (négociants), first appearing in the 18th Century. In recent times many also make their own wines, as well as buying grapes.
- In the Burgundy wine region there are 23 co-operatives with constantly increasing quality levals.
- Grower/producer made wines can be identified by the terms 'Mis en bouteille au domaine', 'Mis au domaine', or 'Mis en bouteille à la propriété'.
- The wine-merchants (négociants) may use the term 'Mis en bouteille dans nos caves' (bottled in our cellars), but are not entitled to use the estate bottled designation of the grower/producers.

Alternatives to Burgundy wines

- Pinot Noir and Chardonnay have their spiritual homes in Burgundy and are the basis for all of its finest wines. These are both local grapes and despite their worldwide success this is where they produce their finest examples.
- The Gamay and the Aligoté grape varieties are also present in the region but the production of wines from these grapes is lower.

Douro wines and Port

What makes Douro wines and Port unique?

- Wine grapes have been grown in the Douro since Roman times. The Douro boomed when Port was discovered in the late 17th century. Brandy was added to preserve the wine during the voyage to England.
- The Port demarcated region is in the upper *Rio Douro* valley and its tributaries almost stretching 100 kilometres in total length. The terraced vineyards are on slopes that reach to about 500 metres.
- The land is divided into *Quintas* that are private estates located that are located in the demarcated area.
- Its governing body, the *Instituto do Vinho do Porto* (the IVDP or Port and Douro wine Institute) strictly controls the Port and Douro wine trade.

Styles of Port

- Port from Portugal comes in several styles, which can be divided into two broad categories:
    - Wines that have matured in sealed glass bottles, with no exposure to air, and experience what is known as "reductive" ageing. This process leads to the wine losing its colour very slowly and produces a wine that is smoother on the palate and less tannic.
    - Wines that have matured in wooden barrels, whose permeability allows a small amount of exposure to oxygen, and experience what is known as "oxidative" ageing. They too lose colour, but at a faster pace. If red grapes are used, in time the red colour lightens to a tawny colour - these are known as Tawny (or sometimes Wood) ports. They also lose volume to evaporation, leaving behind a wine that is slightly more viscous and intense.

Alternatives to Douro wines and Port

- With as many as eighty grape varieties used in the Douro Valley region there is a great diversity of wines produced. The white wines range from fresh, fruity wines for early drinking to oaky wines with notes of almond and butter, designed for ageing. The young reds for immediate drinking have cherry and raspberry aromas and the cellar reds start with notes of black fruit and chocolate, but age to great delicacy and complexity for 20 years or more.
- Douro Valley wines must be produced from native grape varieties, and the blends produced, make these wines totally unique.
- There are no real alternatives to Port; the Douro is the only region in the world to be able to produce it. Port is also the only fortified wine where the sweetness in the wine is the actual sweetness of the grapes at the time they are picked. All other sweet fortified wines such as cream sherry and Madeira, start out dry and have sweetening wines added.

5) Does a stamp of approval give the trade and consumers enhanced confidence?

An official EU stamp of approval is aimed to give the trade and consumers trust in specific products whilst protecting producers from having their livelihoods put at risk by companies selling potentially lesser quality products under the same umbrella name.

In 1992, the EU introduced three types of classification of protected food and drink products, and from 1 May 2009 the relevant wording and/or logo must be displayed on the packaging of the protected product. Each of the products focused on in this report fall into the PDO (Protected Designation of Origin) classification. In order to qualify for this classification:

- The products must be produced, processed or prepared in a specific geographical area, and have qualities that mean that they could not be produced anywhere else to the same standard.
- The products must comply with a standard of excellence.
- It is not specific brands that attain PDO status but the produce model. For example, Parma Ham has PDO status but individual producers must use the same Ducal Crown stamp rather than individualising them.

Quality or cost?

In November 2008, a dedicated survey was conducted by YouGov, asking the following question: Are you more likely to spend more money on food and wine products with quality and PDO stamps because this indicates a higher quality product?

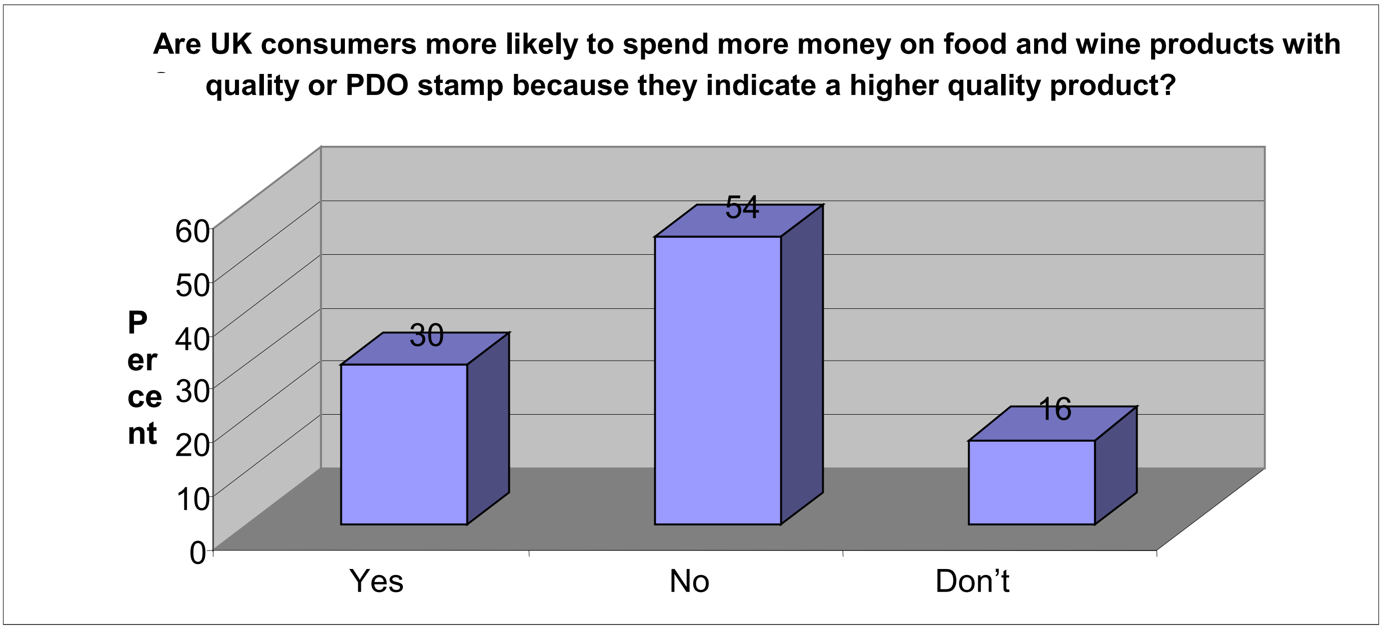


Figure 3 shows the percentage of people prepared to spend more money on food and wine with the PDO status.

Key analysis

- A third of UK consumers aged between 25 and 55 would be more likely to spend more money on food and wine products with a quality of PDO stamp because they indicated a higher quality product. This is a significant figure, which indicates that despite the current economic gloom, a large percentage are still willing to spend money on quality products.
- More than half of UK consumers would prioritise cost above a seal of quality. A key reason for this is likely to be the current 'credit crunch' but it also indicates a lack of awareness around the PDO stamp of approval.

Awareness of the PDO stamp of approval

According to research conducted by 'Discover the Origin' in November 2007, where more than 100 professional people aged 30-45 with a high disposable income were contacted, it was found that 80 percent had not heard of the PDO logo.

What does this mean for the trade?

The PDO stamp raises levels of consumer confidence and gives the trade trust that the products they purchase to sell on to consumers will be of a high quality, which in term enables them to retain valuable reputations and bolster bottom lines. However, given that the percentage of consumers who do not take PDO's into account or are unaware of what they are, indicates that further education is required in this area – both through the media and through the trade.

Key analysis

These findings suggest that the PDO symbol cannot fulfil its function until further awareness is raised.

6) Are we a nation of slaves to convenience?

The UK working week

A recent report from the European Foundation for the Improvement of Living and Working Conditions – an organisation set up by the European Union – has pulled together analysis of working habits in the EU. It has found that UK employees are amongst the hardest workers in Europe. Coming in close to Romanians and Bulgarians, UK workers clock up, on average, 41.4 average hours a week.

This pressurised workload has led to a culture of lap-tray TV dinners, with UK consumers finding it hard to find the time and energy to prepare proper meals and engage with family and friends around the dinner table.

Compare this with France and Italy, whose average working week are four hours less, coming in at 37.7 and 37.9 hours a week respectively. This gives the French and Italians nearly an hour extra a day to spend on recreational activities. . It is no surprise that the French and the Italians are more inclined to use this extra time to enjoy food together.

Differing diets amongst Europeans

The Mediterranean diet has always been celebrated for its fresh and natural ingredients and balance of nutrients, as well as the relaxed pace that is dedicated to its preparation and consumption. In France and Italy, there is greater emphasis placed on spending time together, and taking time to enjoy food.

Whilst food and drink have traditionally assumed a lesser importance in the UK, issues of provenance, quality and production methods are rising up the priority ladder amongst many UK consumers. There is still some way to go however.

Indeed, UK consumers are said to be the biggest consumers of baked beans in the world. The value of the baked beans market reached almost £300m in 2007, a 23 per cent rise on 2002 according to recent research by Mintel, the consumer trends analysts.

Key analysis

These findings suggest, along with an increased awareness of the importance of quality and origin, that UK consumers want to purchase better quality products – as long as it doesn't get in the way of convenience.

Convenience over quality for Brits?

Parma Ham, for example, enjoys impressive sales in the UK, and these figures have risen steadily over the past five years (see figure 4). However, when we look at how this is broken down, we see some interesting results. Packet Parma Ham enjoys its best sales figures in the whole of Europe in the UK – importing more than Germany and France combined – but it lags behind these countries on sales of Parma Ham sliced from the whole ham in delicatessens.

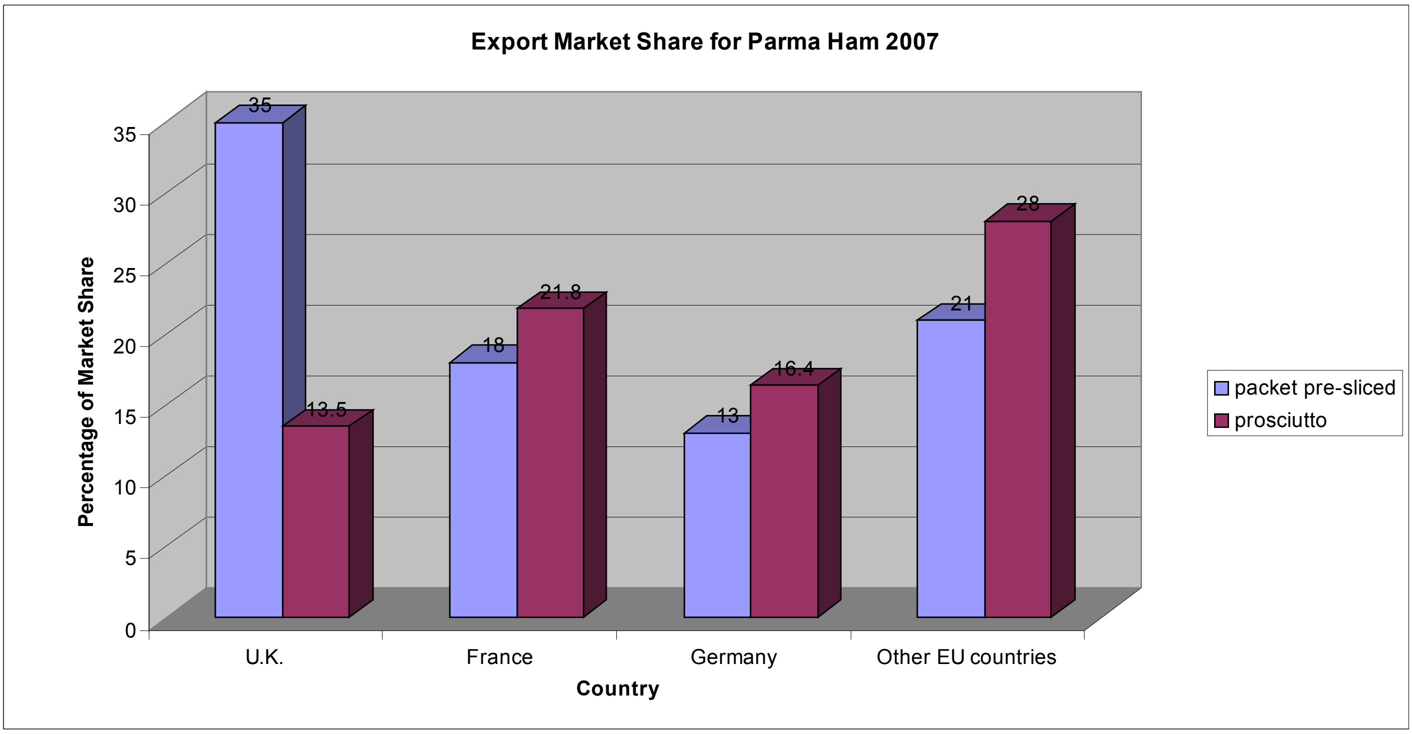


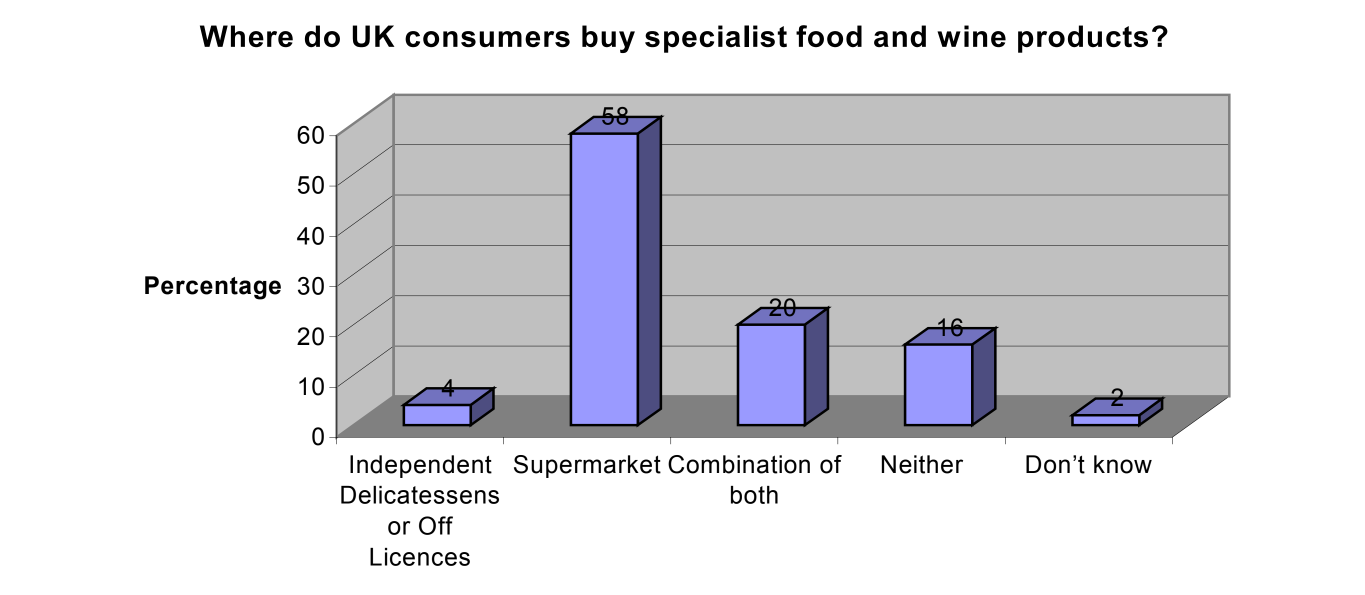
Figure 4 shows the Export Market Share for Parma Ham in EU countries relative to the UK in main outlets for specialist food purchases in November 2008.

2,000 Internet respondents aged 16+ were questioned. Findings shown here are in the 25-54 age bracket.

In order to understand UK consumers' shopping habits, a dedicated survey was conducted by YouGov. This exclusive online consumer research was carried out in November 2008, and the following question was asked:

"Thinking about your average weekly food shop buying specialist food products, eg. Parma Ham and Parmigiano-Reggiano cheese and alcoholic beverages, eg. Burgundy wines and Port, are you more likely to buy these types of products from specialist stores (i.e. Off Licences or Delicatessens) or a supermarket?"

Figure 5 shows where UK consumers purchase specialist food and wine products in November 2008.

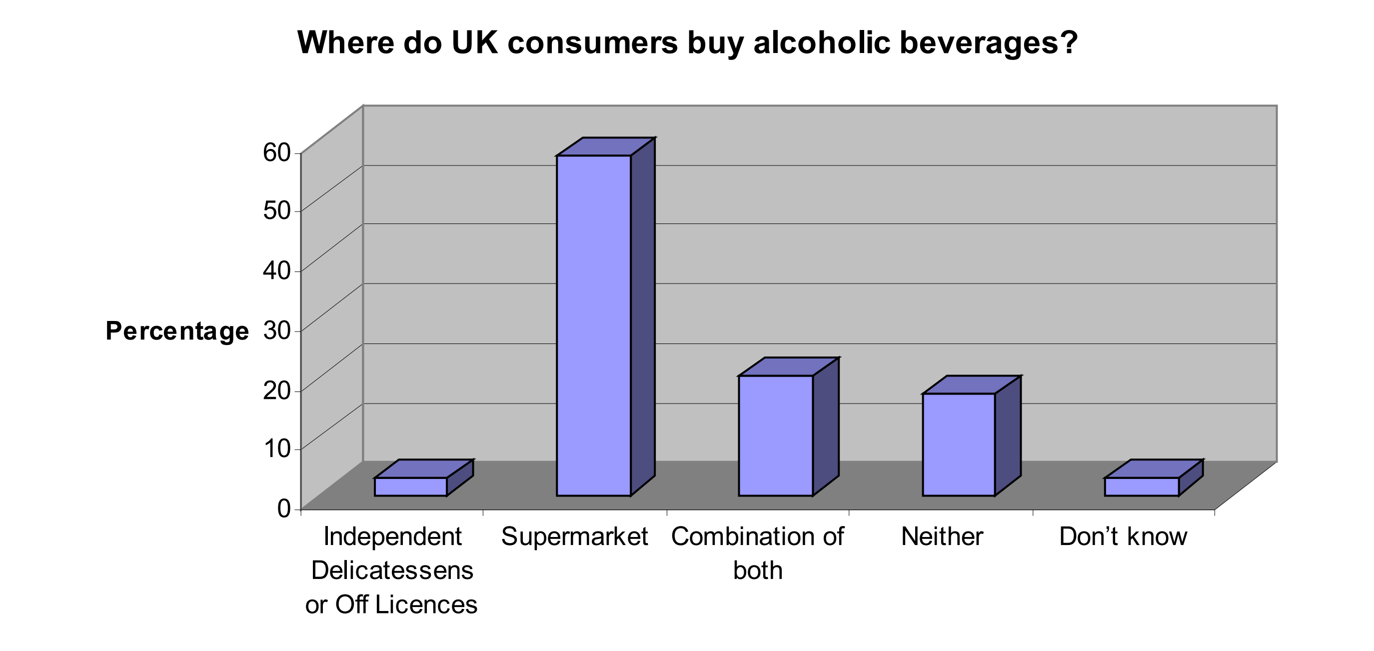


2,000 Internet respondents aged 16+ were questioned. Findings shown here are in the 25-55 age bracket.

Key analysis

- A significant percentage of UK consumers (more than half) aged between 25 and 55 purchase their favourite specialist food and wine products from the supermarket, with less than five percent taking time to go to delicatessens. This highlights the UK consumer's apparent food shopping apathy, and preference for convenience over quality.
- However interestingly, a quarter of the ABC1's aged between 30 and 45 (the target audience for this campaign) surveyed use a combination of both supermarkets and delicatessens, potentially highlighting that UK consumers in this age bracket are willing to go out of their way for important ingredients.
- They are also in the bracket that are willing to spend more money on quality ingredients if a PDO stamp of approval is given, indicating that, for products whose best quality is going to be found at independent stores, this group of people may be more willing to go the extra mile for products where they can more effectively determine their origin and production specifications.

Figure 6 shows where UK consumers purchase alcoholic beverages in November 2008.
2,000 Internet respondents aged 16+ were questioned. Findings shown here are in the 25-54 age bracket.



Key analysis

- Again, these figures highlight the fact that supermarkets entice the largest percentage of UK shoppers.
- A quarter of ABC1s aged between 30 and 45 use a combination of both supermarkets and off licences. This may indicate that these shoppers use the supermarket for their everyday beverage purchases but will go to off licences for special occasions, or for weekend purchases.

What do these findings mean for the trade?

If the average UK consumer is a slave to convenience, what does this mean for the trade? These findings indicate that while many UK consumers prefer to shop at supermarkets, those interested in sourcing good quality products will broaden their horizons and shop at independent stores.

With rising interest in food and wine at the same time as constricting household budgets, the trade must educate consumers on the importance of provenance. The fact that the UK imports more packet Parma Ham than France and Germany put together indicates that UK consumers are willing to spend the money on fine products – as long as they offer good value. If they could be drawn into delicatessens through education on the superior quality of on-demand sliced ham for example, they may be more tempted to put in the effort.

The On-Trade

Concurrently, it is very positive for chefs and restaurant owners that the UK is importing such a massive amount of pre-sliced ham. This shows the popularity of the product and indicates the scope for its use – particularly in the better quality delicatessen ham – in the on-trade.

This three year campaign aims to raise awareness amongst consumers to demonstrate the importance of sourcing the best possible quality when purchasing these products. There will also be a major focus on the expertise offered by independent stores. If customers are made aware of the enhance customer service and advice they will receive, as well as the assurance of specific provenance and quality, they may well be more inclined to shop outside of their convenience zone.

7) Does affluence equal interest in origin?

Socio-economic groups in the UK

Society can be loosely broken down into two socio-economic groups: ABC1s who are the highest earners with the largest proportion of disposable income; when shopping at supermarkets this group places emphasis on quality food, choosing Waitrose, Marks and Spencers and Sainsbury's (fig. 7). C2DEs are the more price driven group where 'every penny counts'. This group shops in supermarkets where value for money is advertised, for example: Tesco, Asda, and Morrisons (fig. 7). The aforementioned retailers do endeavour to cater for all of society with a range of 'value' and 'finest' goods.

Key Analysis

Within the last five years there has been a marked increase in the number of AB1s. From 2002-2007 a 10.7% increase can be seen (fig. 7). With such a change in affluence and personal disposable income it is inevitable that people's attitude to purchases, such as food and wine, has shifted. This has played a role in the increased emergence of foods and wine with provenance.

	2002		**2007**		**2012**		**% change**	**% change**
	000	**%**	**000**	**%**	**000**	**%**	**2002-07**	**2007-12**
AB	11,657	24	12,972	26	13,686	26	+10.7	+5.5
C1	13,436	28	14,518	29	15,190	29	+8.1	+4.6
C2	10,131	21	10,403	21	10,569	20	+2.7	+1.6
D	8,407	17	7,928	16	7,864	15	-5.1	-0.8
E	4,676	10	4,345	9	4,390	8	-6.5	+1.0
Total	**48,306**	**100**	**50,165**	**100**	**51,699**	**100**	**+3.8**	**+3.1**

Figure 7 shows the different categories of foodies in the UK and how these are expected to change over the next four years.
SOURCE: National Statistics/Mintel

Which group is more likely to hold positive attitudes towards provenance?

There is a clear indication that the different sections in society have varied priorities when it comes to purchasing food and wine. Foods and wine that can attribute a provenance can command a premium price and only those with a reasonable personal disposable income (PDI) are able to purchase them.

Key Findings

- Those with a positive reaction to provenance tend to be within the socio-economic group AB1 (and to a lesser extent C1s) and earning between £25,000 and £49,999 (fig. 8).
- It is interesting to note that those earning £50,000 and over are less engaged in the issue of food and wine provenance. The reason for this may be that although there is PDI available to spend on foods and wine with provenance, people in this bracket are often cash rich but time poor and therefore fail to make educated choices over the food and wine they buy.
- C2DE are more often swayed by the price of an item over its provenance.

UK or European Provenance?

When looking at foods with a foreign provenance figure 8 shows that it is the highest earning (£50,000 +) with 33 percent, the largest proportion, choosing foods with a foreign origin. This is 10 percent higher than the next earning bracket. This could be attributed to the fact that this group enjoys foreign holidays and meals in restaurants on a more regular basis and when they eat at home these exotic meals are recreated with authentic ingredients.

	British origin of product	**Free range/ animal welfare**	**Natural**	**Fairtrade**	**Organic**
	%	**%**	**%**	**%**	**%**
Gross household income:					
Under £9,499*	50	44	41	37	31
£9,500-15,499	52	44	40	40	31
£15,500-24,999	45	44	43	34	29
£25,000-49,999	56	52	49	42	33
£50,000 or over	52	37	35	37	35
Supermarket usage:					
Asda	52	46	45	38	30
Marks & Spencer	62	60	48	47	50
Morrisons	51	44	43	36	30
Sainsbury's	55	53	49	41	37
Tesco	51	47	45	38	32
Waitrose	66	62	55	57	58

Figure 8 shows how people of different incomes choose to spend their money on food.
SOURCE: Ciao/Mintel

	Non-GM	Bio	Foreign origin of product	Free From (e.g. suitable for people with allergies)	Food miles info
	%	%	%	%	%
Socio-economic group:					
AB	28	27	25	15	15
C1	24	30	19	18	13
C2	23	19	20	13	7
DE	19	15	15	17	10
Gross household income:					
Under £9,499*	17	15	17	19	7
£9,500-15,499	26	22	17	18	14
£15,500-24,999	23	24	17	13	11
£25,000-49,999	27	28	22	17	13
£50,000 or over	25	31	32	15	13
Supermarket usage:					
Asda	25	26	21	18	10
Marks & Spencer	29	31	29	20	15
Morrisons	24	21	22	19	9
Sainsbury's	27	30	28	18	15
Tesco	25	25	21	16	12
Waitrose	44	41	37	19	25

Figure 9 shows how people of different incomes, socio-economic groups and supermarkets choose to spend their money on food.
SOURCE: Ciao/Mintel

8) Demographics speak volumes

Gender

It is interesting to note that there is a significantly larger percentage of females in figure 10 who consider food provenance an important factor. This could be down to the fact that it is still women who are more likely to do the weekly grocery shop and take greater consideration when choosing food. It could also indicate that provenance is not such a priority for men either because of lack of awareness or interest.

	British origin of product	Free range / animal welfare	Natural/ wholefoods	Fairtrade	Organic
	%	%	%	%	%
Male	49	40	38	36	28
Female	52	52	49	40	35

Figure 10 shows the difference between men and women choosing where they source their food.
SOURCE: Ciao/Mintel

Age

Figure 11 shows that from 45+ provenance plays an increasingly important role in the food that people buy. There could be a number of reasons for this.

- There is a greater work/life balance where people are eating for pleasure and not just convenience.
- Their children are older and have a say in the food that is bought.
- Children have left home and the parents are choosing food for themselves.

	British origin of product	Free range/ animal welfare	Natural/ wholefoods	Fairtrade	Organic
	%	%	%	%	%
16-19*	40	36	34	41	33
20-24	45	44	40	30	30
25-34	46	45	41	36	35
35-44	46	42	40	37	30
45-54	53	48	52	37	34
55+	62	53	46	44	28

Figure 11 shows how different aged people choose to spend their money on natural or organic foods.
SOURCE: Ciao/Mintel

When it comes to buying food of a foreign origin the results in figure 12 show that the largest percentage of people buying international produce are:

- 25-34 (24%)
- 45-54 (25%)
- 55+ (22%)

There is a significant drop during the ages 35-44 (17 percent). Raising children could be a major factor in this dip. Those with the higher percentages may not have children or children who are older, enabling freedom to travel abroad. Those within the 35-44 bracket are most likely to have young children where foreign travel and culture is not as high a priority as fending for and amusing their children.

	Non-GM	Biodegradable/ compostable/ recyclable	Foreign origin of product	Free From	Food miles information
	%	%	%	%	%
16-19*	19	13	13	15	7
20-24	17	16	14	11	6
25-34	24	27	24	17	13
35-44	26	26	17	15	8
45-54	27	29	25	22	13
55+	25	26	22	15	18

Figure 12 shows how different aged people choose to spend their money on foreign foods.
SOURCE: Ciao/Mintel

Daily Newspaper Readership

Those who read broadsheets or, to a lesser extent, mid-market tabloid newspapers (fig. 13), take a more considered approach to their food purchases than readers of popular tabloids. This could be down to education and awareness of the ethical questions raised recently in the media, with popular TV programmes - Hugh's Chicken Run, for example.

	British origin of product	**Free range/ animal welfare**	**Natural/ wholefoods**	**Fairtrade**	**Organic**
	%	**%**	**%**	**%**	**%**
Daily newspaper readership:					
Broadsheet readers	59	55	52	47	44
Mid-market tabloid readers	53	49	46	39	32
Popular tabloid readers	47	38	36	32	28
None of these	47	48	46	38	30
Sunday newspaper readership:					
Broadsheet readers	56	52	49	47	46
Mid-market tabloid readers	59	50	48	40	31
Popular tabloid readers	51	40	39	33	24
None of these	44	47	43	38	30

Figure 13 shows how readers of different newspapers choose to spend their money on natural or organic foods.
SOURCE: Ciao/Mintel

Figure 14 shows a significant difference between broadsheets and mid-market tabloids compared with popular tabloids in terms of the purchase of foreign origin produce. There are two possible reasons for this:

- People who read broadsheets and mid-market tabloids are globally aware and enjoy trying international foods.
- They are within a demographic that enjoys global travel who try to recreate dishes on their return

	Non-GM	**Biodegradable/ compostable/ recyclable**	**Foreign origin of product**	**Free From**	**Food miles info**
	%	**%**	**%**	**%**	**%**
Daily newspaper readership:					
Broadsheet readers	30	34	30	21	20
Mid-market tabloid readers	25	23	23	15	10
Popular tabloid readers	20	20	17	13	7
None of these	27	24	18	19	12

Sunday newspaper readership:					
Broadsheet readers	31	31	28	20	20
Mid-market tabloid readers	26	24	29	20	10
Popular tabloid readers	22	19	18	16	6
None of these	25	25	16	16	12

Figure 14 shows how readers of different newspapers choose to spend their money on foreign foods.
SOURCE: Ciao/Mintel

10) Sourcing products from the UK or abroad?

One of the key reasons for the emergence of the UK 'foodie' has been a boost in foreign travel and eating at restaurants. The 'credit crunch' may be driving consumers away from restaurants, but the abundance of eateries of every conceivable 'type' highlights the UK hunger for sampling a diverse range of dishes.

The wide range of cuisine that these consumers have experienced abroad and whilst eating out has also impacted on the way they eat at home, whether creating meals they have tried elsewhere in their own kitchens or experimenting with products they have read about.

Alcoholic beverages

UK consumers are not only diversifying their food habits but also their drink preferences. The UK houses the widest range of wines in the world – making available wine from every conceivable wine-making country in the world. For wine lovers, it is difficult to source wine simply from the UK because of its limited production of quality products. This indicates that 'buying local' is more of an issue for food products for the majority of UK consumers.

When to buy local

According to recent research conducted by Mintel, seven out of ten consumers consider buying food products of British origin to be a top three consideration and one in three puts it at the top of their list of priorities.

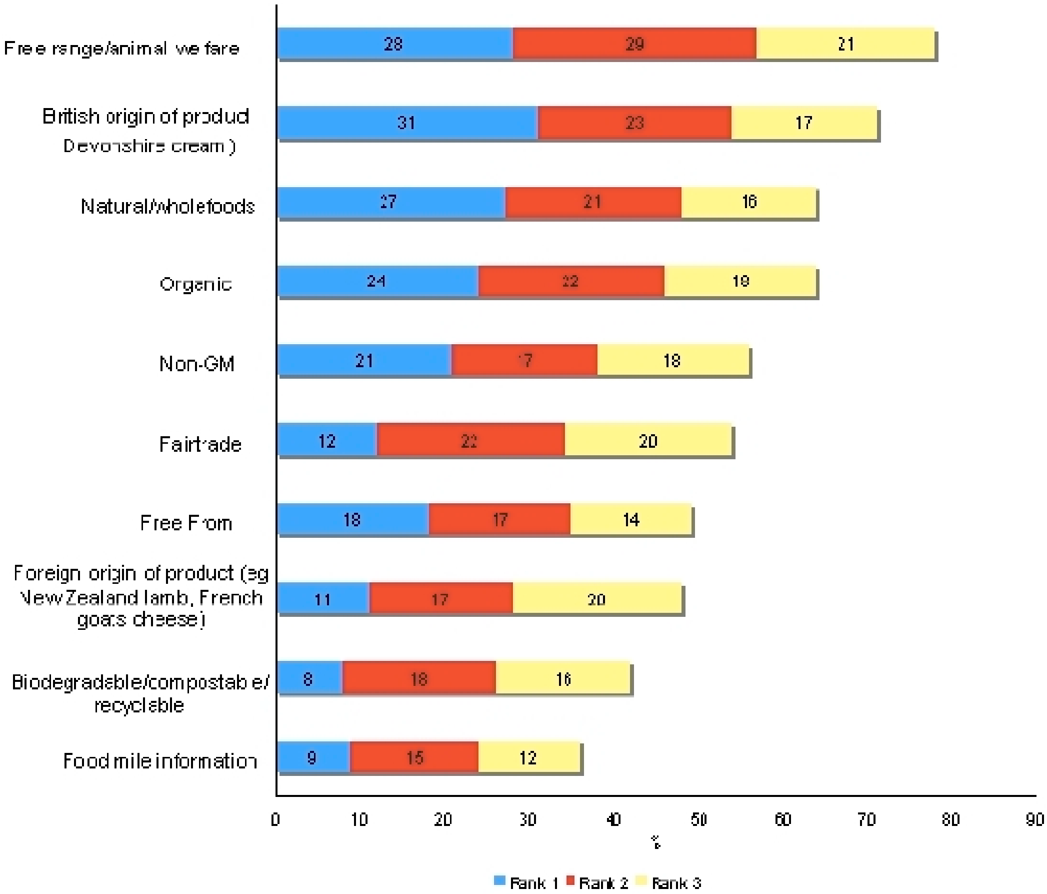


Figure 15 shows the different factors considered when making food and drink purchases, by rank in December 2007.
SOURCE: Ciao/Mintel
1,000 Internet respondents aged 16+ were interviewed.

Key analysis

Interestingly, the issue of food miles is low on the priority list (one in eight consumers viewing it as important) suggesting that consumers are more interested in UK provenance because of supporting home-grown produce rather than carbon footprints. This therefore indicates that the majority of UK consumers will buy outside the UK if the product is of a higher quality.

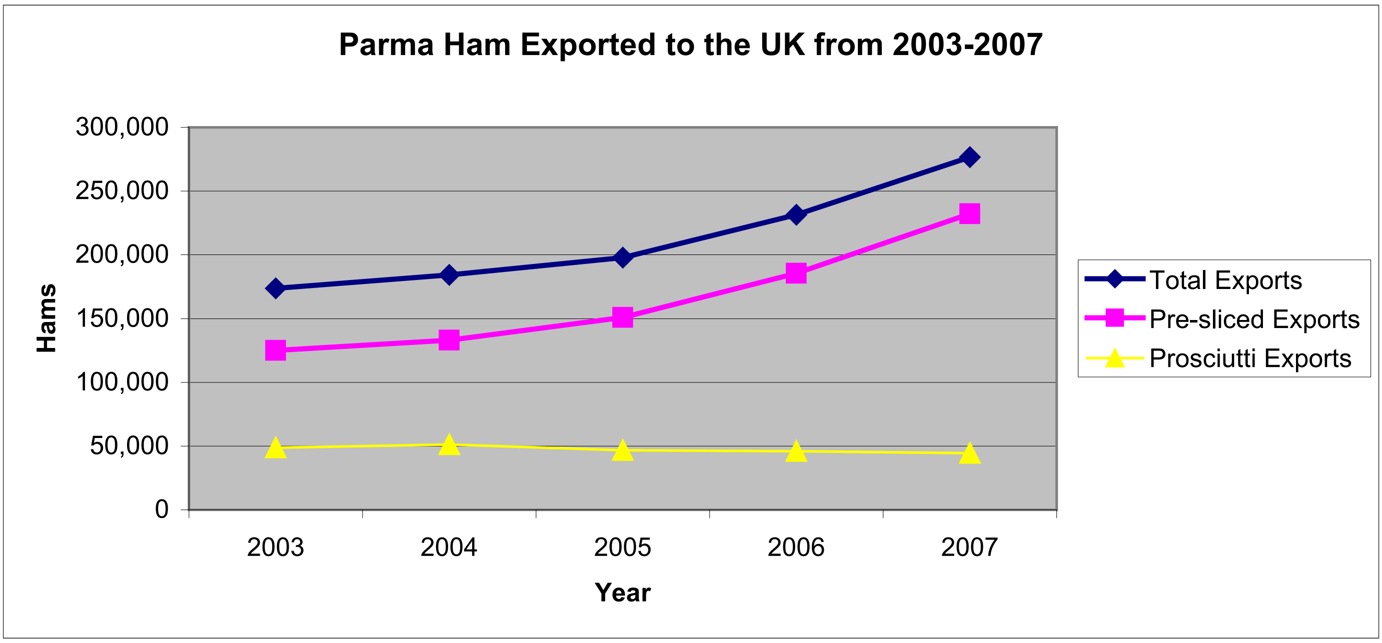
Opportunities for the trade

This offers the trade an opportunity to focus on both provenance in this country and abroad. As long as the production methods and trading are ethical and the product has a high quality, if a product cannot be sourced to the same quality in this country as abroad, these figures suggest that UK consumers are willing to source products outside of the UK.

Focus on Products

The products discussed in this report have enjoyed enhanced export figures into the UK since provenance has become more central to purchasing decisions by consumer and the trade.

Parma Ham



Key analysis
Parma Ham is the most highly imported cured ham in the UK. It has enjoyed a year on year increase in consumption in the UK – both in the off and on-trade. The greatest increase is in the packet variety of Parma Ham, a key indicator of the emerging convenience culture in the UK and a need to buy affordable luxury items – particularly during this time of international financial crisis.

Parmigiano-Reggiano Cheese

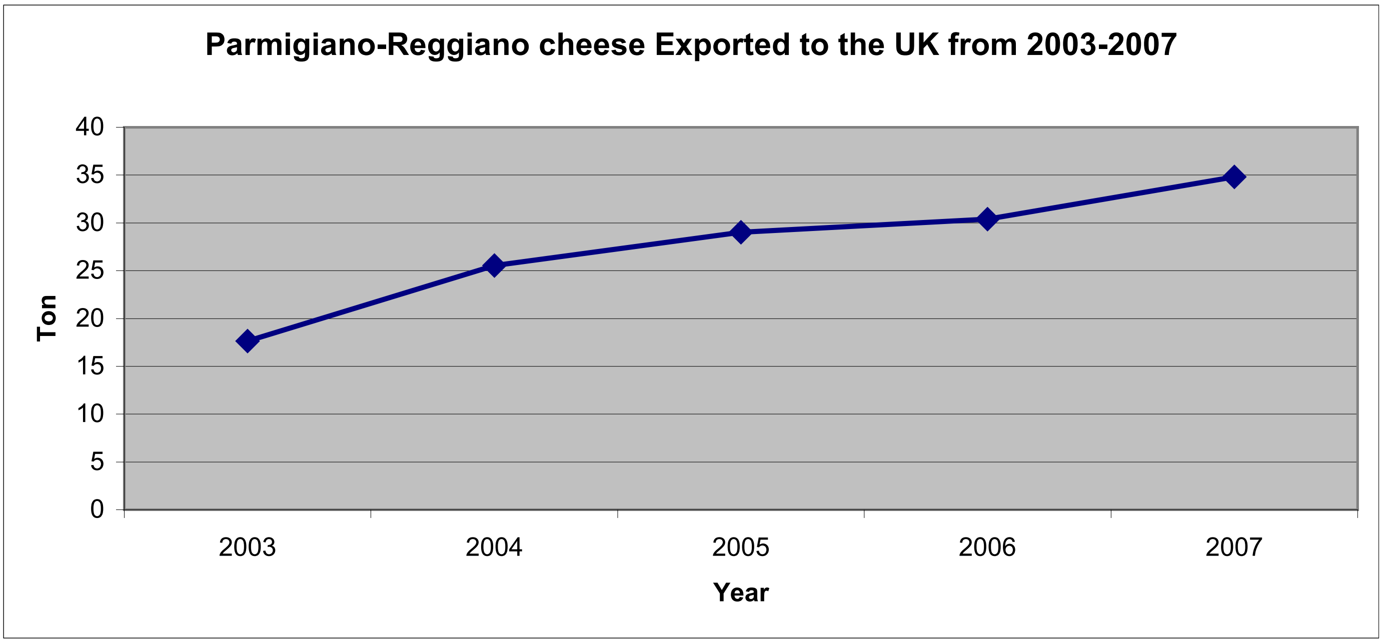


Figure 16 shows the quantity of Parmigiano-Reggiano cheese exported to the UK from 2003- 2005.

Key analysis

There has been a steady increase in the export of Parmigiano-Reggiano cheese into the UK over the past five years. The figure is expected to rise even more sharply in 2008 since Parmigiano-Reggiano cheese attained PDO status in January 2008.

Parmigiano-Reggiano cheese is a clear example of a product that cannot be sourced to the same quality in the UK. Consumers wanting the best quality available and authentic ingredients for their meals are happy to source it from its region of origin.

The sharp rise from 2006-2007 tallies with a rise in awareness about the importance of provenance amongst UK consumers and the trade and a re-invigorated passion for food. Rather than simply being sprinkled on spaghetti bolognese, it has started to become a central ingredient to many home cooked meals.

Burgundy wines

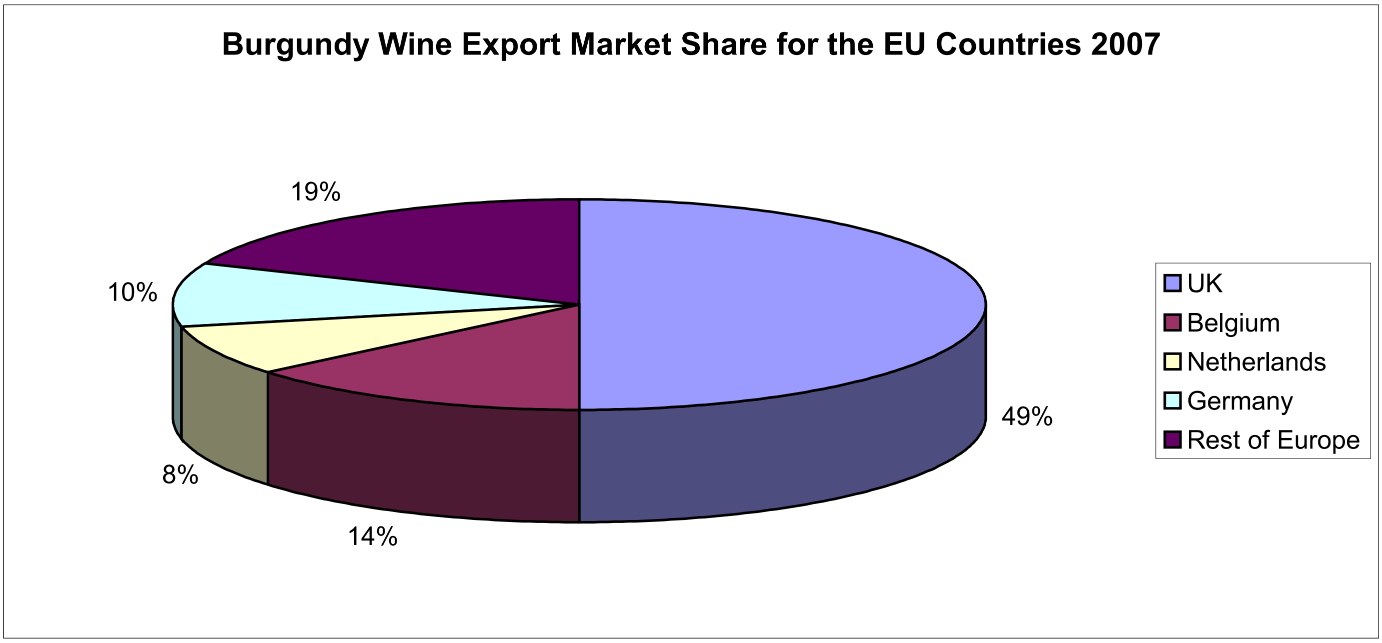


Figure 17 shows the Burgundy wine export market share for 2007 in some of the different countries in the EU.

Key analysis

The UK imports almost half of the Burgundy wines that are exported within the EU, demonstrating its popularity in this country. For the trade, this makes it a crucial product because of both its appeal and its reputation as one of the world's finest producing regions. Despite Australia taking over from France as the biggest exporter into the UK for the first time this year, Burgundy wine remains a dominant market force and its stronghold in the UK remains.

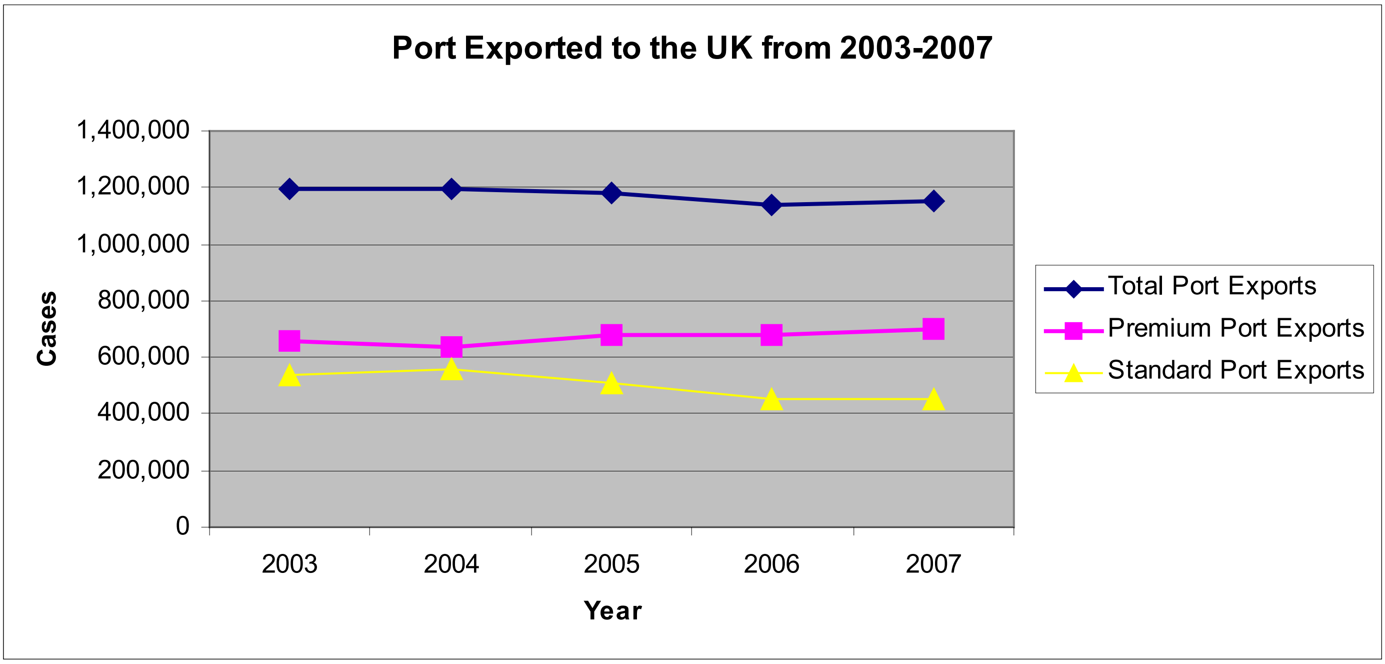


Figure 18 shows the Port export figures for the UK from 2003-2007.

Key analysis

Export figures into the UK have remained fairly static in the last five years, with a slight rise indicated in premium Port export and a slight dip in standard Port. This indicates stagnation in the market whilst maintaining figures. This is partly explained by a UK tendency to purchase Port at Christmas. There is therefore scope for the trade to educate consumers on the merits of Port – differentiating each type and highlighting the different occasions and food it can complement.

Douro Wines

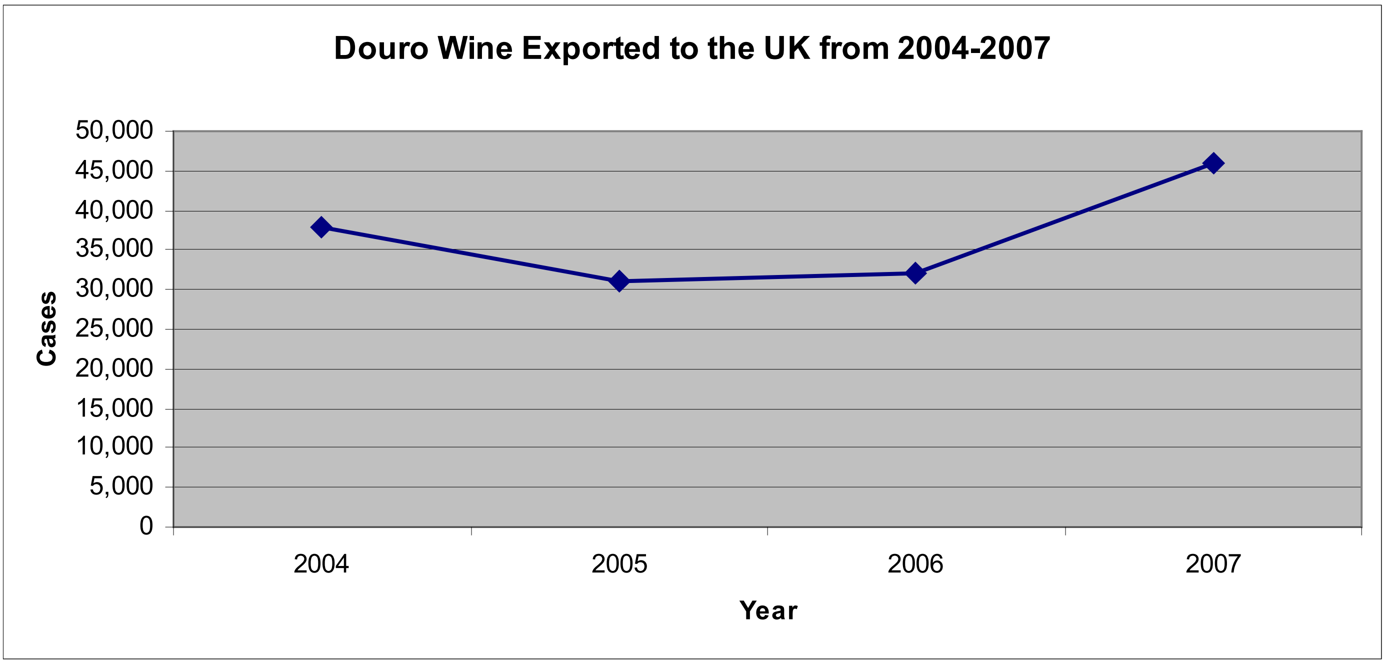


Figure 19 shows the Douro wine export figures for the UK from 2004-2007.

Key analysis

Douro wines enjoy a significant but not massive presence in the UK. Because of the production methods involved, the price of these wines is relatively high compared to mass-produced wines, and the amount produced is therefore not high, but its unique quality makes it an interesting choice and a differentiator for the trade.

11) Focusing on provenance – is it a crowded market place?

As provenance has assumed increased importance in purchasing decisions in recent years, more companies and producers have leapt on the origin 'bandwagon'. This has lead to a somewhat crowded market place, and significantly, an increase in the amount of information added to packaging in order to 'stand out from the crowd'.

This has lead to confusion amongst consumers. Whilst food and drink products are required by law to show nutritional, ingredient information (if packeted) some companies have taken this further by trying to tell the story of the product amongst other brand messaging.

Where effective labelling can benefit

Showing a logo on the pack demonstrates to the consumer that the product has been produced according to the standards of a regulatory body. This can be effective in reassuring customers, but further information can lead to consumers being over-loaded with information and therefore not understanding the labelling.

How can packaging help rather than hinder purchasing decisions?

At the end of January 2008, the European Commission announced preliminary proposals for reforming EU labelling requirements for food and drink in order to make labelling more clear and to create greater transparency in rules across the EU. At this stage, these are simply proposed changes

The proposed changes include:

- A single 'Regulation' will replace the current regime, which is based on 'Directives'.
- Directives involve member states putting together their own legislation to implement EU rules, which gives each state the freedom to divine unique legislation, which can come into force at different time to other countries.
- The proposed single Regulation would therefore create greater harmony and transparency of rules across the EU.
- The EU recommends that key nutritional information should appear on labelling on the front of the pack, based on guideline daily amounts, rather than the traffic light system that the UK's Food Standards Agency has sought to introduce.
- However, it is also proposed that member states may be able to introduce their own front-of-pack labelling systems.
- Food manufacturers oppose this move because they claim that it may result in companies from one member state effectively being unable to sell their goods in another because they do not comply with local rules.
- The rules regarding provenance or origin of a product are to be tightened up to avoid situations where consumers may be misled over where an item comes from, for example when livestock or poultry is raised in one country, but processed in another.

12) Will the credit crunch affect food purchasing habits?

Is staying in the new going out?

There is a clear indication that the global financial crisis is having an affect on spending habits amongst ABC1s between 30 and 45 (see figure 19) with just under a third indicating that the credit crunch is leading them to eat at home rather than go out for dinner. This may indicate that they are more likely to trade up, buying more luxury products to eat at home, as an alternative to eating in a restaurant.

The results of the YouGov poll also indicate an upturn in the number of people hosting dinner parties at home. This also suggests that there will be an increase in the purchase of premium products in the off-trade as people seek to replicate restaurant quality food at home.

It would appear that in the on-trade, food is likely to be the first victim of the credit crunch, with a proportion of respondents saying that they would still go out, but only for drink.

It could be inferred from the increase in entertaining at home, that spending on wine in the off-trade will increase, as people's spending per bottle in the off-trade becomes more reflective of what they would spend in the on-trade.

Has the credit crunch quashed UK consumers' desire for quality food?

Statistics point to the fact that consumers appear to be changing their habits rather than what they eat. So, instead of going out, UK consumers are choosing to entertain at home, while not compromising on products.

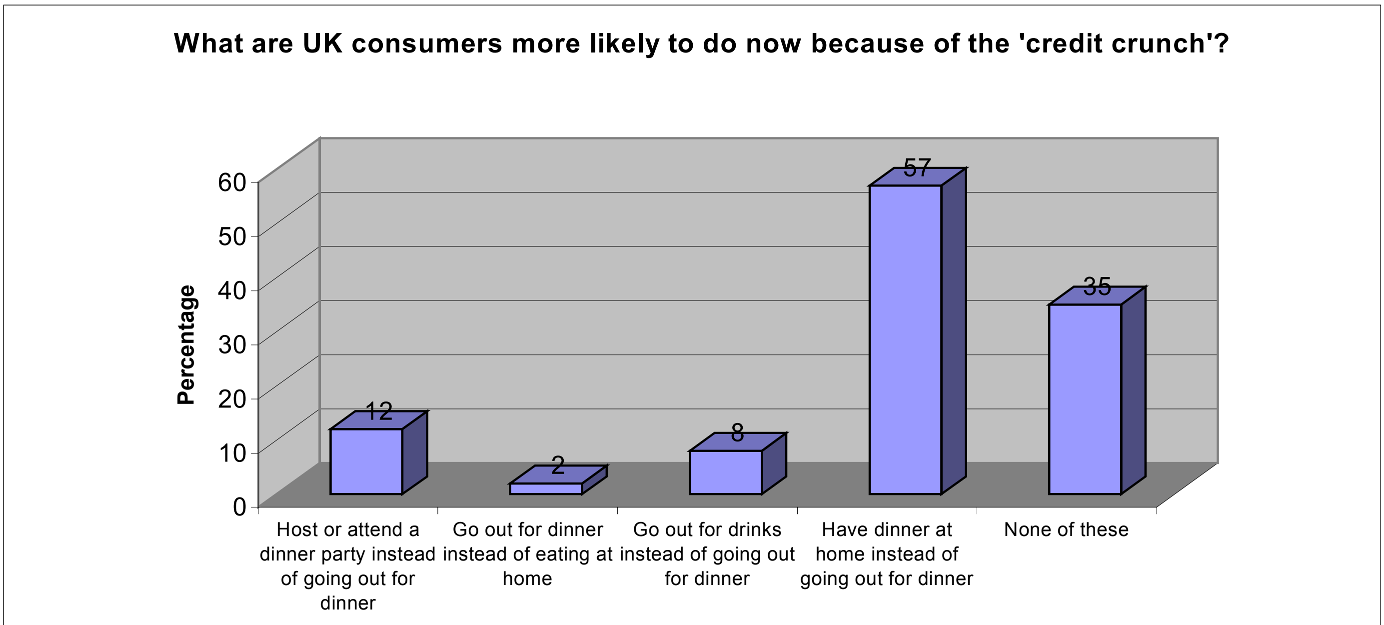


Figure 20 shows the different behavioural patterns of consumers reacting to the credit crunch.
Source: YouGov Nov 2008

13) The Rise of the Gastropub and Farmers' Market

Farmers' markets and Gastropubs are growing in importance, particularly among the older (45-54 and 65+) age brackets, according to the Mintel report. Provenance is particularly important in these two spheres. While locally sourced produce forms the basis for sales at Farmers' Markets, provenance remains a key factor for customers.

- There are currently around 550 regular farmers' markets in the UK. Farmers' Market association FARMA believes the UK could support up to 800.
- The legal definition of farmers' market stipulates that products must be sourced within a 100-mile radius of the market and is sold by the producer. Therefore, certain well-known markets such as Borough Market in London, which sell PDO products from overseas, are not technically farmers' markets.

Key analysis

- The stipulation for locally-sourced produce at farmers' markets, and their growing importance in the marketplace, has brought the issue of provenance to the forefront of consumers' minds, which extends to seeking out PDO food which reflects its origins.

While Gastropubs also seek to highlight provenance of UK sourced produce, frequent foreign travel amongst this demographic mean that customers are increasingly demanding authentic products which they may have tried abroad – this is reflected both in restaurants and in the off-trade.

14) Conclusion

The findings of this report show that provenance is playing an increasingly significant role in consumer food and beverage purchasing decisions – particularly in the ABC1 30-45 year old demographic. However, it is clear that more education is required if it is to fulfil its potential in terms of positively impacting on trade bottom lines.

This education needs to be a double pronged attack. First of all, it is important to raise awareness around PDO products and the assurance of quality and authenticity the stamp represents. It is also crucial to educate consumers on the increased satisfaction they can derive from shopping in specialist outlets where they can find the best quality and the most pertinent advice on choosing the right food or drink product for the right occasion. As this report demonstrates, the UK's emerging convenience culture is currently hindering growth in the specialist trade outlet segment, but the high proportion of British people that consider quality and provenance as key considerations reveals scope for increased uptake if the necessary awareness is raised.

Increased interest in 'home-grown' British food has been a determining factor in pushing provenance to the front of consumers' minds. Environmental factors, farmers markets and media campaigns to support British produce are key reasons for this, but interestingly, this report demonstrates that, when it come to specialist items that cannot be successfully replicated in this country, consumers are more likely to source them from the area in the world where they can be assured of quality and authenticity.

Each of the products in this campaign enjoy healthy export trades into the UK, and further education around where they come from, how they are made and the natural ingredients used, could make a significant impact.

With the current financial crisis, this report demonstrates that more people are socialising at home and therefore require good quality, simple to prepare food and high quality wines to recreate the dining out experience while staying in. The products focused on in this report are examples of these affordable luxury items that give consumers the treats and quality they need without worrying about overspending.

At the same time, the on-trade can certainly benefit from focusing on the origin of their products at a time when UK consumers have never been so interested in where their food and drink comes from. During the credit crunch, this could be a useful differentiator.

When it comes to quality and issues of provenance, a significant proportion of UK consumers are willing to pay a premium – and are potentially willing to 'go the extra mile' and shop at specialist stores – as long as they are getting assured quality in return. Raising awareness around the PDO stamp could therefore give an increasing number of UK consumers the assurance of quality and authenticity they need to make good, informed choices – and therefore bolster trade bottom lines.