We would like to thank our research partners who have supported this research and added valuable insight to the project by sharing their knowledge and experience of working with food and drink businesses across the North-east of Scotland.

"The North-east food and drink industry has an enviable foundation on which to build. We claim 16% of the Scottish Agricultural area but retain a big share of Scottish production: almost half the crops, a third of finishing cattle, two thirds of pigs and a quarter of beef cows. This, coupled with the fact that the Scottish food and drink industry as a whole is generated over half of Scotland’s food exports and the main centre of operation for fish landings is located in Aberdeenshire gives us an advantageous platform on which to capitalise and grow an already buoyant food and drink sector. The economic position of the region has seen ongoing challenges but we, along with support from our colleagues, are keen to assist and offer advice. I would actively encourage new and existing businesses to please get in touch. As well as knowledge and expertise, we have a variety of funding opportunities that may be available’.

Anderson Anderson & Brown LLP are one of the UK’s leading Chartered Accountants + Business Advisory Firms. We have a team of specialists with extensive knowledge in the food and drink sector who have the experience and resource to support any business from start-ups to established companies. If you are interested to learn more please contact us or follow us on twitter @fooddrink_aab.

At Dentons UKMEA LLP we are committed to supporting local North-East food and drink businesses in their ambitions for growth, whether it’s negotiation of key commercial contracts, workforce recruitment, selling or acquiring assets, internationalising the business, protecting intellectual property, raising finance, executing real estate moves, or seizing a once-in-a-lifetime opportunity to expand into new markets, our exceptional team of talented lawyers are on hand to assist. Our dedicated food and drink team focuses on providing commercial and pragmatic advice and works incredibly hard to get to know and understand our clients’ businesses so that they consider us a part of their team and not just their legal advisers.

Firms. We have a team of specialists with extensive knowledge in the food and drink sector who have the experience and resource to support any business from start-ups to established companies. If you are interested to learn more please contact us or follow us on twitter @fooddrink_aab.

We are delighted to be working with Aberdeen & Grampian Chamber of Commerce to identify what needs to be done to help strengthen the sector here in the North East.

As a key lender to the industry, Royal Bank of Scotland is committed to helping those operating in the industry prosper, from producers and growers to fishing and manufacturers. It is important that we work together to support businesses at every stage and at every level. This support is crucial at a time of significant economic and political change in Scotland and the UK. Our team of dedicated relationship managers are available to provide advice and support on financing and exporting to enable business growth within the industry. We are delighted to be working with Aberdeen & Grampian Chamber of Commerce to identify what needs to be done to help strengthen the sector here in the North East.

We are here to help so don’t hesitate to get in touch.
You couldn’t really miss the vigour and excitement around the Food and Drink industry in the North-east… it feels like something significant is really happening. We’ve long had brilliant companies here from those close to the agri-sector to internationally renowned fish processors and of course drinks companies. However, in the last few years it has felt like our (to coin a phrase) renaissance is burgeoning with a range of start-ups and some significant growth successes.

This survey follows research we did in 2013 and again we find provenance is critical and encouragingly local procurement is supporting that with nearly half (47%) of product ingredients being locally sourced. With the quality of our products and ingredients underpinning success, export markets are a real opportunity. We still find perhaps too few are exporting (26%) but those who do are globally represented in 101 different countries… pretty amazing.

The sector is growing, forecasting turnover increase (by 15% in the next two years) and in two thirds of cases (64%) are currently delivering against their plans… all good news too. However, as our rebirth takes hold it is fair to say that we have some significant risks to our growth. While 64% of companies have invested in productivity gaining equipment, the ability to continue investment looks weaker. Companies are reporting significant increases to their cost base / cost of doing business. While turnover forecasts are bullish, the costs impacts are about to squeeze already tight margins and potentially constrain investment appetite and ability just when we need it most. In the context of Brexit and labour challenges, investment in automation, innovation and technology looks vital in even the short-term but the ability to deliver that is in question and this may impact on our competitiveness.

More generally we’ll need to keep doing the good stuff on business support, improve sector collaboration on things like logistics, sell and market ourselves (thinking about tourists too) and act on labour issues. Finally, I’d like to thank the young people who helped us with the research – we should ask them more often as they’ll keep us honest!

James Bream
research and policy director
Aberdeen & Grampian Chamber of Commerce
The starter (aka Introduction)

Four years on from our last food and drink study in 2013, the Chamber felt the time was right to reassess the sector and consider how experiences and plans may have changed.

The current survey replicated key questions from 2013 to allow for comparison, while additional questions were included to examine emerging issues and to reflect how the sector has changed over the last four years.

The latest survey has been conducted by the Chamber in partnership with Aberdeenshire Council (AC), Anderson, Anderson & Brown (AAB), Dentons, Opportunity North East (ONE) and Royal Bank of Scotland (RBS).

We’d like to thank the businesses representing over 5,500 employees for completing our survey and the young people who also contributed to the study.

What is the economic importance of the sector?

In Scotland, the food and drink industry is estimated to contribute more than £1.9bn to the economy. The food, drink and agriculture sector also constitutes a valuable part of the economy in the North-east of Scotland (i.e. in Aberdeen City, Aberdeenshire and Moray). It has been estimated that over 22,000 people are directly employed in the sector within the region across agriculture (51%), food manufacturing (32%), fishing (11%) and drinks (6%). In terms of the North-east’s performance within Scotland, the region is estimated to account for a fifth of Scotland’s food and drink industry output and almost a quarter of the country’s primary agricultural output.

In recent years the food and drink sector has received growing recognition for its potential to drive economic growth. Scotland Food and Drink’s Ambition 2030 outlines plans to double the industry’s turnover to £30 billion by 2030. In the North-east, the sector is one of five key sectors in which opportunities for growth are being pursued.

ONE is delivering £800,000 of investment to target growth in food, drink, fishing and agriculture projects with match funding being provided. In addition, funding has been secured as part of the £250m Aberdeen City Region Deal to deliver a new Agri-Food and Nutrition Hub for Innovation.

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1Scotland Food and Drink Federation, Statistics at a Glance
2Opportunity North East – Food, Drink and Agriculture
3Regional Economic Strategy: Securing the future of the north east economy
The main course

What’s the recipe for success?

In the latest survey we asked businesses what they considered to be the best thing about the North-east food and drink sector. The most frequently mentioned factors were:

1. Provenance and the local story of businesses (25%)
2. Quality of ingredients and products (21%)
3. Variety of produce and businesses (14%)
4. Passion and commitment of businesses (13%)
5. Growth potential and opportunities (11%)

We also asked about businesses’ competitive advantages; these results bear a strong resemblance to those reported in 2013 (see figure 2).

Further analysis revealed interesting differences in the competitive advantages selected by different sub-sectors, with Added Value Processors the sub-sector most likely to select Scottish provenance (51%) and innovation (29%).

*For analysis purposes we combined ‘North-east provenance’ (16%) and ‘Scottish provenance’ (27%) into a provenance category to allow comparison with the 2013 survey. Innovation was added in 2017 and hence no comparison is available.*
Buy local

Businesses were asked to indicate the percentage of annual business costs and product ingredients which are spent or sourced locally (i.e. in Aberdeen City, Aberdeenshire and Moray). On average, 56% of annual business expenditure was revealed to be spent locally, although this was higher for primary producers (73%).

As for product ingredients, just under half (47%) were sourced locally, however this was higher for food services, catering or hospitality businesses (67%). Notably, this is above VisitScotland’s aim of a minimum of 40% of Scottish produce being used as part of the Taste Our Best accreditation scheme. As Mintel’s Global Food & Drink Trends 2018 report highlights that consumers are increasingly interested in the origins of food and drink, provenance must be something that local businesses should promote.

When businesses were asked what was stopping them sourcing or spending more locally, challenges relating to costs and lack of availability were highlighted.

How is business?

Businesses were asked about how they were performing relative to their business plan and objectives (see Figure 3).

Figure 3: Business performance relative to business plan/objectives

We also assessed expected turnover growth. Turnover from 2016 has been set at 100 with forecast growth indexed against that historic figure based on percentage change. As can be seen in Figure 4, aggregate sector turnover is expected to grow by around 15% by the end of 2018 – good news at the top line.

In terms of business confidence, 39% of businesses reported no change compared to a year ago. However, overall businesses were more confident in their business compared to a year ago (net balance = +15%). Looking ahead a year, 48% of businesses reported the same level of confidence. Again, net balances revealed that businesses were more confident overall (net balance = +24%).
A tasty tale of economics

This positive outlook for business confidence is reflected in economic forecasts. Figure 6 reveals growth in Aberdeen City and Shire’s food and drink sector (excluding agriculture) gross value added (GVA) between 2008 and 2014, although employment was flat for the same period (Figure 7). This is a good news story in terms of productivity gains.

Figure 6: Approximate gross value added

This is a good news story in terms of productivity gains.

![Source: Scottish Government statistics](source)

Forecasts of output and employment for Aberdeen City and Shire are shown in Figure 8 and 9 using a broader sector definition (i.e. ‘Agriculture, forestry and fishing’, ‘Food, drink and tobacco’ and ‘Food and beverage services’). Employment growth is anticipated between now and 2025, with a forecast total of around 29,000 jobs in the sector by 2025.

Figure 8: Output value added

![Source: Aberdeen & Grampian Chamber of Commerce and Cam Con](source)

Figure 9: Employment

![Source: Aberdeen & Grampian Chamber of Commerce and Cam Con](source)
Despite only being set up in 2017, Hungry Squirrel already produces six different flavours of nut butters, including those made with cashews, almonds and hazelnuts. The company ethos centres on a completely natural product with no refined sugars or palm oils and using only natural flavourings. As well as being healthy, they have also adapted their nut butters so that they are suitable for vegans, making them a unique product not only in the North-east of Scotland but also in the wider UK market. Hungry Squirrel currently sell at markets, events, online and in a number of shops in Aberdeen City, Shire and Shetland.

We asked Susan Yule, who is behind Hungry Squirrel alongside Hazel Farquhar, her views on the North-east food and drink sector, as well as future plans to take Hungry Squirrel products internationally.

1. How would you describe the North-east food and drink sector?

At the moment, in terms of the farmers markets and events we’ve been attending, it’s really exciting. There’s loads of really vibrant, young people with new ideas and really exciting food stuff and drinks as well. Obviously the gins and craft beers are a huge business at the moment, but also the food as well. A lot of people making different things, it’s a really good community of people. I think it’s quite an exciting time for Aberdeen, I think there’s lots of potential for bringing in new business to the area through food and drink.

2. What impact do you foresee the food and drink sector having in the future of the North-east’s economy?

I think a lot of people who have been made redundant from oil and gas have turned to the food industry. It’s quite an accessible route to take for most people if they’ve got an interest in food or some sort of particular drink. Certainly a lot of people we’ve met have had a background in that. If it’s not showing any signs of picking up at a great rate, I think food and drink is an important factor to be focusing on. I think that’s what happens in any region when there’s a downturn in one industry. You’ve just to look at other resources are out there that we can use to pick things up. I think it’s got all sorts of potential, food’s a huge commodity.

3. What local food and drink businesses do you aspire to be like and why?

Loads of our counterparts and people we know. Angus and Oink, they seem to be doing an excellent job. I know they’re exporting now to Australia and all sorts of exciting countries. They’ve done really well and they’re just really down to earth, nice people.

4. In the survey you told us you plan to export or trade outside the UK in the next 1-2 years, why is this important to you?

I think if we could expand our range throughout Scotland and the UK that would be amazing. I definitely would like to go abroad with it. We’re getting online orders now actually from France and we’ve had queries from a shop in Prague last week asking if they could stock there, so there’s definitely potential to go international with it, it’s just timings. That’s a whole other ball game of deliveries and distribution, that’ll be a huge hurdle for us.

The Prague one I think came from our website, I think they’d been searching for healthy foods, wholefoods and found us. The French query, they follow us on Instagram. We have quite a few food bloggers who have picked up on our products. They’ll do photographs, reviews of it, using it in different recipes. A big one at the moment is porridge, they’ll have porridge shots with our nut butter and various pieces of fruit and spices or whatever and then they’ll do a post on it and a recipe. That’s been generating loads of interest on our Instagram site and that’s how she found it - she couldn’t resist ordering!

5. How do you plan to identify your target markets and begin to export to them?

I guess the same model as here: luxury items, delis, nice, little independent stores, health stores, vegan stores, shops that target that sort of buyer, would be the kind of thing we’d be trying to target abroad.
Current trade

Just over 1 in 4 surveyed businesses reported currently exporting outside of the UK (26%). A similar proportion plan to start trading outside of the UK in the future either in the next 1-2 years (15%) or within 3-5 years (8%).

In 2013, 36% of businesses reported currently exporting outside of the UK. The apparent decrease in those trading outside the UK may in part be due to the larger number of micro or start-up businesses in the current sample (see Workforce section).

The businesses that currently export outside of the UK reported trading in a total of 101 different countries around the world.

Again there were some differences across sub-sectors, with Added Value Processors most likely to currently trade outside the UK (51%).

The businesses that currently export outside of the UK reported trading with 101 different countries. The number one destination was Germany, followed by France, the Netherlands and Belgium. While the top four countries are within Europe, Hong Kong and the USA also featured in the top ten.

When examining total sector turnover by geographical area, an average of 61% of turnover was reported to have come from the North-east.
International trade

**Figure 14: Turnover by geographical area by company size**

<table>
<thead>
<tr>
<th>Business size</th>
<th>North-east Scotland</th>
<th>Rest of Scotland</th>
<th>Rest of the UK</th>
<th>Rest of the EU</th>
<th>Outside of the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro (N=36)</td>
<td>69%</td>
<td>22%</td>
<td>11%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>SME (N=33)</td>
<td>54%</td>
<td>23%</td>
<td>30%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Large (N=5)</td>
<td>5%</td>
<td>12%</td>
<td>78%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>All Businesses (N=70)</td>
<td>62%</td>
<td>21%</td>
<td>24%</td>
<td>4%</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Some caution should be taken when interpreting these results due to the small number of large businesses answering this question. Please also note that percentages may not add up to 100% due to the nature of data shared by respondents.*

**Growth markets**

Key growth markets identified by businesses in the latest survey are similar to those highlighted in 2013, with half of businesses stating that the North-east is a key growth market. The top growth market overall is the rest of the UK, with just over half of businesses identifying this as a key market. Fewer businesses perceive the EU and beyond the EU as key growth markets, with these being selected by 26% and 32% of businesses respectively.

**Figure 15: Key growth markets**

<table>
<thead>
<tr>
<th>Subsector</th>
<th>2013</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Producers (N=11)</td>
<td>55%</td>
<td>49%</td>
</tr>
<tr>
<td>Added Value Processors (N=33)</td>
<td>55%</td>
<td>42%</td>
</tr>
<tr>
<td>Food service/Catering/Hospitality (N=22)</td>
<td>42%</td>
<td>32%</td>
</tr>
<tr>
<td>All Businesses (N=77)</td>
<td>77%</td>
<td>49%</td>
</tr>
</tbody>
</table>

However, some important differences between the three largest represented subsectors were revealed. As can be seen in Figure 16, businesses within the Food Service, Catering and Hospitality sector are most likely to see the North-east as a key growth market, while 76% of Added Value Processors see the rest of the UK as a growth market.

**Figure 16: Growth markets by sub-sector**

<table>
<thead>
<tr>
<th>Subsector</th>
<th>North-east</th>
<th>Rest of Scotland</th>
<th>Rest of the UK</th>
<th>Rest of the EU</th>
<th>Outside of the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Producers (N=11)</td>
<td>49%</td>
<td>42%</td>
<td>42%</td>
<td>45%</td>
<td>26%</td>
</tr>
<tr>
<td>Added Value Processors (N=33)</td>
<td>49%</td>
<td>42%</td>
<td>45%</td>
<td>22%</td>
<td>26%</td>
</tr>
<tr>
<td>Food service/Catering/Hospitality (N=22)</td>
<td>42%</td>
<td>22%</td>
<td>22%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>All Businesses (N=77)</td>
<td>77%</td>
<td>32%</td>
<td>32%</td>
<td>32%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Key growth markets identified by businesses in the latest survey are similar to those highlighted in 2013, with half of businesses stating that the North-east is a key growth market. The top growth market overall is the rest of the UK, with just over half of businesses identifying this as a key market. Fewer businesses perceive the EU and beyond the EU as key growth markets, with these being selected by 26% and 32% of businesses respectively.
When asked to name which specific markets outside the UK represent export growth opportunities for
business, the top three countries mentioned were:

1. USA
   - 15 mentions

2. China
   - 6 mentions

3. Germany
   - 6 mentions

Other countries and regions mentioned for their growth opportunities included Asia, Far East, Middle East,
North America, and Scandinavia.

Some businesses who are not currently trading beyond the UK reported some barriers to doing so, such
as time constraints, finance and production levels. However, others reported that this was not within their
plans, with exporting not being feasible for some due to the nature of their business (e.g. food service/
catering/hospitality businesses).
Investing in the future

Businesses were asked to indicate what they had invested in over the last two years and we found investment has remained relatively flat since the previous survey.

The majority of businesses reported investing in equipment to improve productivity (64%). Over half of businesses (51%) had invested in equipment to increase capacity and increasing staff numbers.

The survey revealed that 58% and 11% of business respectively had invested in new products, processes or services and robotics / automation.

Only 6% of businesses have not made any investment in their business within the last two years.

Figure 17: Investment over the last two years

22% of businesses reported that they had received public sector support, with 39% of these businesses having received support from Scottish Enterprise. Support from banks was also specifically mentioned aiding investment within 5% of businesses.

E-commerce

A potential area in which change might have been anticipated since the 2013 survey is e-commerce. Interestingly however, the percentage of businesses reporting some form of online presence remains constant (i.e. 2013: 92%; 2017: 93%). Importantly, the proportion of businesses selling online has only seen a small rise. Boosting this number will support future growth and access to new markets.

Figure 18: Online presence (e.g. website, social media, etc.)

Table 1: Online presence by sub-sector

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Yes, for advertisement or promotion rather than sales</th>
<th>Yes, we already sell online</th>
<th>Yes, and we intend to build an e-commerce capability</th>
<th>No, but we intend to build this capability</th>
<th>No, we have no intention to in the near future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary production (N=12)</td>
<td>42%</td>
<td>42%</td>
<td>0%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Added value processing (N=34)</td>
<td>32%</td>
<td>41%</td>
<td>18%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Food service/ catering/ hospitality (N=25)</td>
<td>74%</td>
<td>22%</td>
<td>0%</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>All (N=80)</td>
<td>50%</td>
<td>34%</td>
<td>9%</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Case Study: The Good Granola Company

The Good Granola Company sell four signature varieties of premium artisan granola. It’s all made by hand, with jumbo oats mixed with different combinations of fruits, nuts and seeds (plus “a lot of love and attention” along the way). The granola centres around their tagline of “Fuel your daily adventure”, with the business starting two years ago from a desire to create a breakfast that would excite and inspire people to jump out of bed in the morning and enable them to do more with their day.

We asked Debbie Riley from the Good Granola Company for her views on the North-east food and drink sector, as well as asking her for tips on building an online presence and e-commerce.

1. How would you describe the North-east food and drink sector?

I love it. It feels like a real privilege to be involved in it. There’s lots of really unique products for a relatively small area. When people think of Scottish food and drink they quite often think of the more traditional but actually there’s such diversity there. The passion of the producers, the quality of the products...I think it’s a really thriving area. Even just over the short period of time that I’ve been involved it seems to be going from strength to strength. It feels like an exciting time.

2. What impact do you foresee the food and drink sector having in the future of the North-east’s economy?

I guess the economy is on the change and its shifting quite a lot. I feel that even though food and drink in the region is growing, it’s almost a little bit of a hidden gem at the minute. I think it’s got a lot of untapped potential. I know there is a lot of developments happening in the city like the new exhibition centre being built and I think there’s plans to develop the harbour and the port. I hope that in the future that helps bring a lot more tourism to Aberdeen and that will need the backing of food and drink to support that. I don’t think it’s a crazy assumption that food and drink could become so important in the North-east that people actually come here specifically for the food and drink.

3. In the survey you told us you currently have an online presence and sell your products online, can you tell us about that?

I set the website up, I still maintain the website. I did all the photography myself as well, which I really enjoyed. We now use a company called Airsquare... It’s really user friendly, we find it an easy way to maintain new content and put up fresh blog articles without too much difficulty.

We use Facebook, Twitter, Pinterest and Instagram. We maintain those on an almost daily basis. We just try to find things we like and share them. We try to tailor it all around our brand and this ‘fuel your daily adventure’, so share events we think would be relevant. Maybe share some recipes too that include granola on them, other inspirational adventures that we see online or inspiring events or achievements that we’ve found. Earlier in the year we shared an article about an 80 year old man that ran hundreds of miles and puts us all to shame.

4. How important is your online presence and selling your products online?

It’s been really important, maybe not in the way you’d expect. It’s been important for sales and I think we’ve established a reasonable sales base there. Having that online presence has been a really effective way of getting our brand out there and speaking to our customers, but also getting communications from them. I guess it really works two ways. We can share news and let people know what we’re about, but we can also see what they’re interested in as well and tailor our products to that.

5. What tips would you give other businesses on building an online presence and engaging with customers via social media?

I’d say my one tip would be don’t be scared of it. At the start, setting up the website, it took me forever, I was really meticulous. I wanted to perfect every detail of it. I think just getting started is the hardest part. You can experiment at the beginning and find what style suits you.
Our research partners flagged that some businesses find the prospect of establishing an online presence or e-commerce capability a challenge. Those who do not currently have an online presence were asked the reasons for this and answers included the complexity of setting this up, lack of available funds and lack of need (i.e. current production levels meaning that current demand is unsatisfied without extending to online sales).

**Aperitif: Global Food and Drink Trends**

Aberdeen & Grampian Chamber of Commerce carried out research in 2016 for Opportunity North East (ONE) looking at the direction that the food and drink sector was predicted to take in the near future. A number of themes emerged that North-east food and drink companies could consider exploiting, these are outlined below.

**Flexitarianism:** There is a rise of consumers who are reducing their meat consumption by eating meat less frequently. Flexitarians increase their intake of plant-based food without fully eliminating meat from their diet. Often these ‘partial vegetarians’ are driven by health reasons or environmental concerns over the sustainability of meat.

**Meal prepping:** Meal prepping, or the advanced planning and preparation of meals in bulk, is also becoming increasingly common. Consumers who meal prep are often driven by desires to stick to financial budgets, to save time during the week or achieve their dietary goals.

**Food waste value:** There is an increasing desire to minimise food waste, with many consumers being environmentally-conscious. As a result, several major retailers now sell imperfect vegetables at a reduced cost.

Source: FFonline Research

2018 Trends

Mintel’s Global Food & Drink Trends 2018 report also highlights trends for the year such as:

**Full disclosure:** Consumers are increasingly interested in the origins of food and drink and require transparency from food and drink businesses. This is partly due to the desire for information on the safety and trustworthiness of food.

**New sensations:** Food and drink experiences that appeal to multiple senses are increasingly popular, with the potential to create memories or social media content being sought after. Texture is highlighted as a key component in 2018.

Source: Mintel

**The people behind the sector**

**The workforce**

As was the case in 2013, 7 in 10 businesses reported being family run. The proportion of family run businesses was higher for primary producers (i.e. 92%) and added value processors (i.e. 74%) than businesses in the food services, catering and hospitality sector (43%).

There is good news, with the majority of businesses anticipating increasing their workforce within the next two years (57%).

**Barrier to employment**

In 2013 we also reviewed challenges that the sector was facing with respect to recruitment of staff. It was revealed that engineers, senior managers and production staff were the most difficult roles to fill. In the latest survey the top five roles which businesses reported difficulty recruiting for were:

1. Chefs (9 mentions)
2. Production staff (6 mentions)
3. Sales staff (5 mentions)
4. Engineers (4 mentions)
5. Butchers (3 mentions)

Other respondents mentioned roles such as management or catering staff. Some businesses stated that all roles are challenging to fill, while a few businesses perceived no issues with recruitment.

As businesses in the sector had previously expressed difficulties with recruitment, the latest survey asked businesses about barriers which may be stopping young people from entering employment in the sector. Only 10% of businesses stated that there were no barriers. In contrast, 2 in 3 businesses believed that salary expectations were a barrier to young people entering the sector, while around half of businesses stated that negative perceptions of job opportunities or competition from other sectors was a barrier.

*It should be noted that a rating scale was used in 2013 while an open-ended question was asked in the current survey to assess challenging roles in terms of recruitment without providing prompts.*
The people behind the sector

Figure 20: Barriers preventing young people from entering employment in the sector

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative perceptions of job opportunities</td>
<td>66%</td>
</tr>
<tr>
<td>Competition from other sectors</td>
<td>53%</td>
</tr>
<tr>
<td>Lack of awareness of career opportunities</td>
<td>48%</td>
</tr>
<tr>
<td>Lack of available job opportunities</td>
<td>19%</td>
</tr>
<tr>
<td>Lack of information on routes to employment</td>
<td>16%</td>
</tr>
<tr>
<td>Difficult to get a job</td>
<td>12%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
</tr>
<tr>
<td>N</td>
<td>73</td>
</tr>
</tbody>
</table>

Focus Group: What do young people think about working in food and drink?

In order to compare views of businesses with those of young people, we conducted a focus group with local school pupils in which we explored their views of the food and drink sector as a potential career choice. Developing the Young Workforce (DYW) North East helped us to recruit nine pupils aged 16-17 years from a school in Aberdeen City.

What do they think of jobs in food and drink?

We asked the young people to draw what they imagined a typical job in the food and drink sector would look like. As can be seen in the image on the right, pupils tended to focus on the food service, catering and hospitality subsector, with pupils’ drawings including chefs and waiting staff.

When asked what other types of job roles and subsectors may exist within the food and drink sector, pupils tended not to be aware of other options, with the focus being predominantly on the roles depicted above. This may be due to exposure, with a lot of the pupils currently working part-time in restaurants or hospitality roles. When prompted on other subsectors (e.g. butchery, farming, fishing, etc.), pupils in the group tended not to have considered them previously and awareness was low.

We also asked how a job in food and drink may compare to a job in other sectors, the sector fared well in benefits (e.g. holidays, social activities) but not so well on salary (i.e. pay). In terms of pay, pupils estimated that pay would be slightly above minimum wage for many roles. On working hours, job satisfaction and the career overall, the sector was viewed similarly to others.

Succession planning

The current survey revealed that only 2 in 5 businesses (40%) have a succession plan in place. Half of businesses (48%) do not have a plan and the remainder of businesses (12%) reported not knowing whether they do, suggesting that the majority may be unprepared in this respect.

When asked about whether any challenges were foreseen with succession planning, some businesses reported concerns about finding someone suitable to take over.

“Finding someone to work as hard...to keep the business growing”
Food Service/Catering/Hospitality business on challenges with succession planning

We asked pupils to rank six different subsectors within food and drink from those they’d most like to work in to those they would least likely to work in, in addition to listing the first three words that came to mind when thinking of these. As illustrated below, food service/catering/hospitality and baking were ranked top, while butchery and fishing were ranked bottom.

How do we attract young people to the sector?

Pupils provided some valuable insight into what might be required in order to attract young people to the sector. Based on this feedback, the sector may wish to consider:

• Providing more information on job opportunities (i.e. including range of jobs and subsectors)
• Promoting potential career pathways (i.e. how to get the job and progress)
• Organising open days (i.e. allow young people to see what the job would entail)
What are the challenges?

Business costs

We found that the sector is facing cost based constraints to future growth. The majority of businesses expect business costs to increase over the next two years. Distribution costs (86%), workforce costs (85%) and material and good costs (84%) in particular are anticipated to increase.

Figure 21: Expectations of business costs over next two years

Of most concern is the view on margins. Despite forecasting increased turnover over the next two years, overall businesses expect profit margins to decrease over the next two years (net balance = -15%). This is in contrast to 2013 when businesses overall expected net profit margins to increase.

Figure 22: Expectations of net profit margins over next two years

Impacts on business

In order to assess future opportunities and challenges, businesses were asked about factors, both positive and negative, which they anticipated would impact on their business over the next two years. As can be seen below, some factors featured in both the top five positive and top five negative factors (i.e. general performance of NE economy; changes to running costs). This may be due to uncertainty regarding how certain factors may change over the next two years.

Figure 23: Changes to the sector

Top 5 Positive impacts
1. General performance of NE economy (49%)
2. Changes to productivity (48%)
3. Changes to running costs (48%)
4. Availability of finance (36%)
5. Speed of broadband (30%)

Top 5 Negative impacts
1. Cost of raw materials (57%)
2. Living wage (43%)
3. Business Rates (43%)
4. Changes to running costs (41%)
5. General performance of NE economy (30%)

Improvements to business

In order to consider potential improvements, businesses were asked what one thing they would change about the North-east food and drink sector. Figure 23 gives an indication of the most frequently used words in responses. Responses were also aggregated into different categories which revealed the main improvements being sought by businesses.
In order to give greater insight into some of the comments, a selection of verbatim responses are featured below:

“Excessive logistics costs to the IV and AB postcodes”
**Added Value Processor**

“We need more private and public sector support to invest – create opportunities for small business to expand – encouragement to grow – routes to markets – introduction to buyers”
**Primary producer**

“Lower business rates.”
**Food Service/Catering/Hospitality business**

“More availability of our own local produce in shops, most tends to be outwith North-east or outwith the UK”
**Food Service/Catering/Hospitality business**
The results of the current survey show clear signs of positivity within the sector, with businesses reporting confidence in their business and forecasting turnover growth. However, challenges have also been revealed, including flat investment, increasing business costs and decreasing margins.

We have identified areas in which stakeholders, businesses and relevant organisations will need to work together to ensure that future growth and performance of the North-east food and drink sector is supported in order to enhance performance and growth.

Focus on the following areas would be recommended:

• **Supporting business growth:** Business growth should be encouraged in order to drive economic development in the region, with new start-up food and drink businesses presenting a valuable growth opportunity. This may be boosted by support to businesses in the form of available funding and advice (e.g. on exporting beyond the local region and Scotland, collaboration opportunities, etc.). Finally, interventions to grow online sales and access new markets will be important.

• **Reducing business costs:** It will be important to lobby for regulatory and legislative policies that support businesses rather than those that potentially suppress growth. In addition, input costs that are stable and pro-business must be promoted. For instance, the Chamber’s policy team has recently been campaigning on business rates, an issue which has been revealed in the current survey as an ongoing concern for businesses. Opportunities to reduce costs via purchasing arrangements and collaborations with local raw material providers may warrant consideration. There is a requirement to increase investment in automation, this may be at risk due to shrinking margins.

• **Reducing transport and distribution costs:** In our 2014 report we recommended that collaboration between businesses may be an effective way to reduce transport and distribution cost to ensure the region’s food and drink businesses can offer competitive prices. This may be an area where businesses still require support (e.g. information on how this can be achieved). While it is anticipated that the Aberdeen Western Peripheral Route (AWPR) will ease transport and distribution, this benefit is yet to be realised.

• **Marketing and promotion of local food and drink products and businesses:** Businesses voiced the need for local businesses and products to be marketed and promoted. Recent campaigns such as ‘Buy North East’ will need sustained momentum to support the use of local companies. However, how this impacts on performance and exporting activity also needs to be considered (i.e. price versus provenance).

• **Workforce:** Efforts focused on promoting the sector to young people should be encouraged. Through our discussions with young people it emerged that some had limited awareness of the range of subsectors and opportunities available.
The recipe (aka Methodology)

Sector Survey
Aberdeen & Grampian Chamber of Commerce invited both member and non-member companies in the Food and Drink sector to participate in a survey of current performance and future outlook. 81 businesses (excluding duplicates) from the North-east completed the survey between September 13th and October 10th 2017.

Respondents reported operating in primary production (26%), added value processing (53%), retail (19%), food service/catering/hospitality (38%) and ‘other’ (12%). In terms of the activity which accounts for their greatest percentage of annual turnover, 43% stated this was added value processing, 28% food service/catering/hospitality, 15% primary production, 4% retail and 10% ‘other’.

Business size of respondents was as follows: <9 employees (47%), 10-49 employees (20%), 50-249 employees (16%) 250+ (7%), and undisclosed (10%). The majority of businesses who responded were micro businesses (47%), followed by SMEs (36%) and large businesses (7%).

Young people focus group
Aberdeen & Grampian Chamber of Commerce conducted a focus group to explore how young people perceive the food and drink sector as a potential career path. DYW North-east helped us to recruit via a local school in Aberdeen City. In total, 9 young people between the ages of 16-17 years participated in the focus group.

Contacts

About The Chamber
In late 2012, Aberdeen & Grampian Chamber of Commerce launched an independent research unit to support members and economic growth in the region. The team is made up of experts with significant experience of delivering market, economic and business research around the UK. We will provide you with evidence-based insight which makes a real difference to your business. For more information please contact one of our Research team.

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