

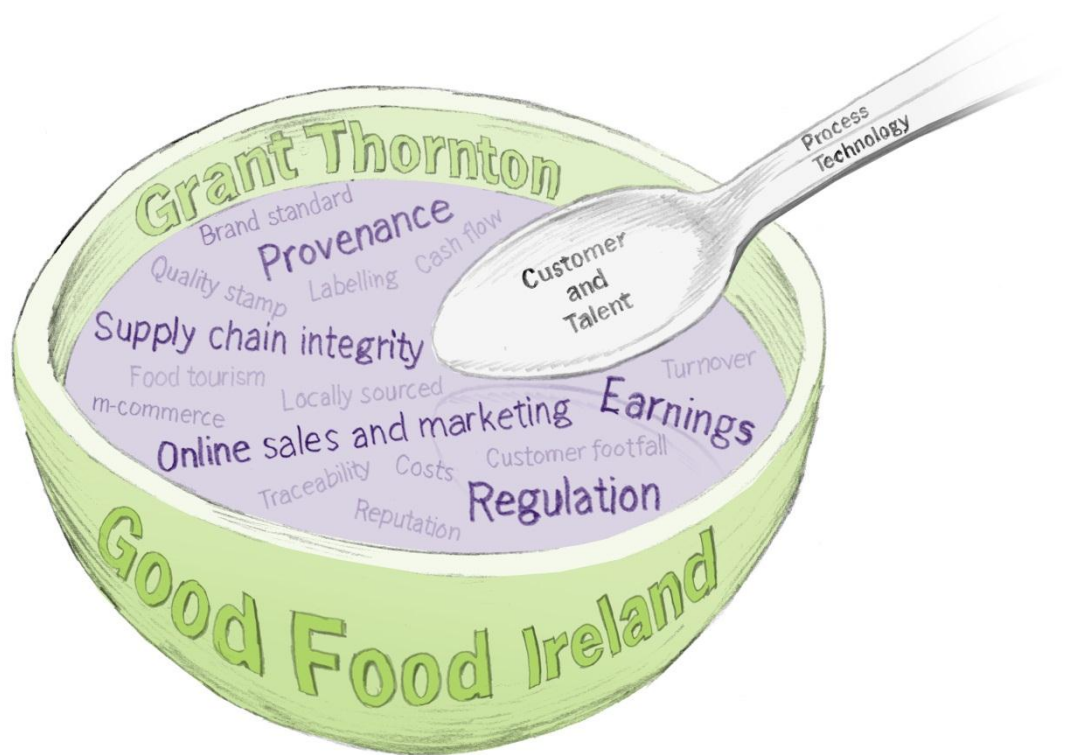


Grant Thornton

An instinct for growth™

Driving and mobilising growth by leveraging Irish food and food tourism

Grant Thornton Business Insight Survey 2013®



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Executive summary

This year's Good Food Ireland Business Insight Survey has been released after a sustained and global period of interest in the Irish food industry. The long-term impact of the horsemeat scandal on Ireland Food Inc and Brand Ireland will be clear over time. However one could argue all it has done is accelerate non publicised changing consumer food expectations domestically and globally towards quality, locally sourced and traceable **“good food.”** Domestically, while many consumers remain price conscious they are now seeking more knowledge about food producers and what the term **“Irishness”** actually means, buying authentic Irish food from local businesses they can trust, with 68% of Irish consumers consciously purchasing local food to support the economy¹ and 69% rating “the use of Irish/local” as important when going out for a local meal.²

The founding principles of Good Food Ireland are leading and responding to **changing consumer purchasing behaviour**, to **quality** and **provenance**. These guiding principles are the bedrock of the 600 plus Approved Providers who despite turbulence in the economy and sector are punching above their weight. Of those surveyed 2013's survey found that:

- 97% expect turnover to increase or remain the same in 2013 (2012:95%);
- 4 out of 5 achieved earning expectations in 2012 (an increase of over 15% year-on-year); and
- 88% expect an increase in earnings in 2013 (2012:81%)

Driving and mobilising growth has been achieved through the following three strategies:

- **think local and Irish = think quality** - relentlessly focusing on purchasing Irish food to guarantee an authentic food experience. Quality is at the heart of the consumer value proposition;
- **think tomorrow's .coMmErce today** - adapting to changing consumer preferences and using technology to build new routes to market and reach out to new customers; and
- **think financial performance** - continuously focusing on financial performance, using smart processes and technology to ensure management have access to the right information and measures to help grow their business.

Think Local and Irish = think quality

Placing the provenance of food and the integrity of suppliers at the centre of the Good Food Ireland brand standard is in marked contrast to the level of complexity seen in other parts of the food and beverage sector; in particular, the beef industry where substandard “beef burger ingredients” have passed through a number of countries and companies before being processed.

The transparency and non-complexity in the supply chain of those surveyed is brought home by the following resounding endorsement of a **principle of fair reward for fair return on effort**:

- 94% increasing their purchases of Irish food over the last year (2008-2011: 92%);
- 97% acknowledging that local Irish food is an integral economic driver for their business (2012:90%);
- 50% increasing their purchase of Irish food between 1% to 10% and 19% between 10% to 20% in the last year; and

¹Bord Bia: Feeling the pinch: the consumer outlook, March 2013

²Bord Bia: Just ask 2013 campaign survey

- 99% of respondents' core belief and value based proposition in local Irish food as an integral part of Ireland's international business growth.

This continuity and transparency creates new markets for farmers, food producers, fisherman and retailers, as well as ensuring full traceability and sustainable economic benefit to the local and domestic economy. The standards of authenticity of local supplies and ingredients provides the means by which the hospitality sector can deliver high product quality, service standards, and a differentiated and unique all island food experience.

While **supply chain integrity**, food safety and security have been on the agenda of some for some time the horsemeat scandal has put the issue of quality and Ireland's food reputation at the fore for government, industry and consumer. **Cheap does not mean value for money - it just means cheap.**

Notably 71% of Good Food Ireland Approved Providers welcome regulation that places a renewed emphasis on food sustainability issues such as food miles, traceability, provenance, and food security. More than 50% of consumers in the UK have changed their shopping habits as a result of the horsemeat scandal and one third are buying less processed foods.³ Good Food Ireland Approved Providers continue to react to and anticipate changing consumer behaviours. They are increasingly focusing an eye on international markets with new commerce channels providing a means to build routes to their end consumer.

Think tomorrow's .coMmErce today

Good Food Ireland Approved Providers are embracing the move online - and are now an integral part of normal commerce or .coMmErce, reflecting the seamless integration of online business and traditional - **clicks and bricks**. Encouragingly:

- 43% of respondents generated revenue online;
- 74% expect their online price point to compare to their offline price point in 2013, with 14% expecting margins to increase online; and
- 17% of the 57% not online expect to generate revenue online within the next twenty four months.

Good Food Ireland's new online shop provides Approved Providers with a distribution channel to sell their produce, while my food trip planner provides the link between authentic Irish food and a genuine Irish food experience. 94% of Approved Providers believe there is a need for increased marketing of food tourism with Good Food Ireland's integrated food tourism strategy and its leading edge website filling this marketing gap, selling Irish ingredient led cuisine to a global audience who want and expect more from their food in terms of quality, authenticity and experience. The website positions Good Food Ireland globally to generate new export revenue and increased margins.

Think financial performance

In order to capitalise on the long-term benefits of changing consumer behaviour and the opportunities presented for premium quality Irish foods overseas, businesses will have to continue to trade through the short-term obstacles and threats, to maximise their consumer value proposition.

The number one challenge identified by Good Food Ireland Approved Providers in running a business were costs/overheads (37%), decreases in consumer spend (16%) and access to finance (10%). By ensuring best practice, similar to the principles of Good Food Ireland's brand standard, Approved Providers can eliminate non-value adding activities, become more efficient and effective and crucially invest in long-term growth and competitiveness. The message is clear reducing non-value adding activities in both your business back-office and consumer facing front of shop will help businesses to follow the customer, capitalising on their changing behaviours.

³ UK Which Magazine, 2013

Driving and mobilising growth by leveraging Irish food and food tourism

Initially perceived as a premium upmarket offering, **transparency** and **traceability** have become part of the cost of doing business which consumers are increasingly willing to pay for. To consumers **supply chain** performance is on a par with a business's attention to bottom line performance. The robust business performance of those surveyed demonstrates that perceiving a changing consumer need and building the business model to meet that need, rather than waiting for regulation, is a key enabler of growth and **sustainable financial performance**, thus creating a sustainable competitive advantage.

Figure 1: Good Food Ireland's business model



The 2013 Business Insight Survey firmly demonstrates that a superior and sustainable business model and financial performance is achieved by driving and mobilising growth by leveraging Irish food and food tourism



Margaret Jeffares
Founder and Managing Director
Good Food Ireland



Ciara Jackson
Director, Head of Food and Beverage
Grant Thornton

Acknowledgments

Grant Thornton is the exclusive assurance and advisory partner of Good Food Ireland. For the second consecutive year, we have engaged in a collaborative effort to ascertain the importance of local food as an economic driver, analyse business needs and challenges to grow, collate and synthesize insights around emerging trends.

We would like to take this opportunity to thank all Good Food Ireland's Approved Providers who took the time to complete the survey.

Many visitors come to Ireland to enjoy its culture and history. During their visit, with Good Food Ireland, they experience quality Irish led ingredients and tastes, hospitality and service - through the personality of the cuisine and the service. **Driving and mobilising growth by leveraging Irish food and food tourism** will create greater commercial opportunity for the agri-food and tourism industries as well as Ireland's local economy. The results of this year's Business Insight Survey highlight the increased importance of food tourism as an economic driver in the Irish economy.

Good Food Ireland

“Good Food Ireland is a well-recognised brand that highlights quality local food experiences. Good Food Ireland doesn’t tolerate weak links in its supply chain, as membership assessment is stringent”

Profile of Approved Providers

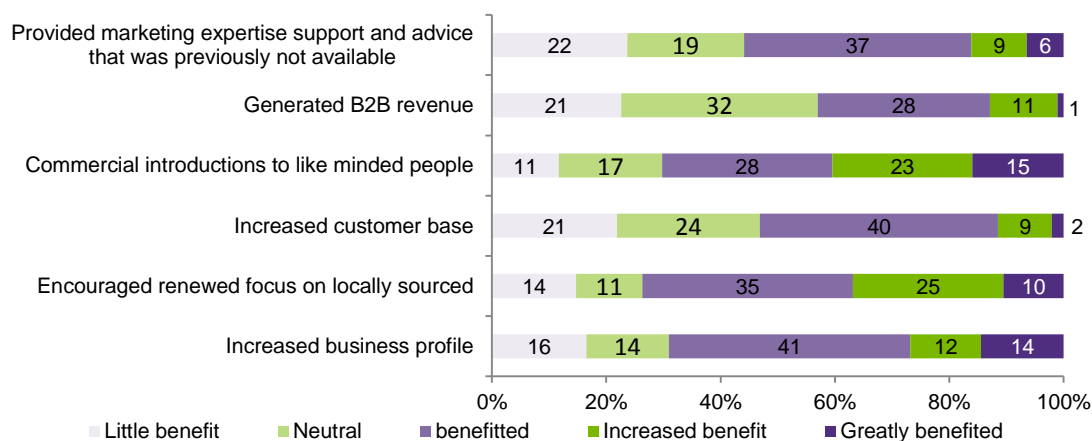
Good Food Ireland is the only all island brand standard for food experience, putting Irish ingredient led cuisine at every point from farm to table. Founded in 2006 by Margaret Jeffares, Good Food Ireland has pioneered the link between the agri-food and tourism sectors by bridging the gap between Irish food produce, to an authentic Irish cuisine. Today it has some 600 Approved Providers; Ireland’s top restaurants and cafés, culinary accommodation, food shops, pubs and bars, cookery schools and food producers.

In our 2012 survey, we estimated that Good Food Ireland Approved Providers:

- directly employed over 5,900 people;
- generated combined turnover in the region of €390m;
- 53% were exporting and had expansion plans across a diverse range of countries/continents; and
- contributed in the region of €50m to the Irish economy through their purchases of Irish produce.

Figure 2: The benefits of being a Good Food Ireland Approved Provider

On a scale of 1-5, where 1 is little benefit and 5 is greatly benefitted



“Status as a quality food brand”

Good Food Ireland membership

The benefits to the Irish economy of Good Food Ireland are significant and to its diverse membership base of Approved Providers, the organisation provides new value added opportunities, helping to grow consumer interest and understanding of ‘good food’ in Ireland. It supports, educates, informs and drives business to Good Food Ireland Approved Providers, while enhancing the island of Ireland as a food tourism destination.

Matching the sentiment of this year's Business Insight Survey, Good Food Ireland has launched a number of new online strategies - a leading edge website: online shop and my food trip planner - designed to drive growth in the areas of m-commerce, e-marketing and sales to Approved Providers. Good Food Ireland through these initiatives has evolved with the dynamic nature of its membership base to collectively market local food establishments and products to domestic and international tourists.

According to survey respondents the two biggest benefits of Good Food Ireland membership is encouraging renewed focus on locally sourced food produce (72%)⁴ and increased business profile (69%). It is expected that the leading edge website will increase networking opportunities, B2B revenue, and broaden customer bases and revenue opportunities, with new markets and new routes to those markets.

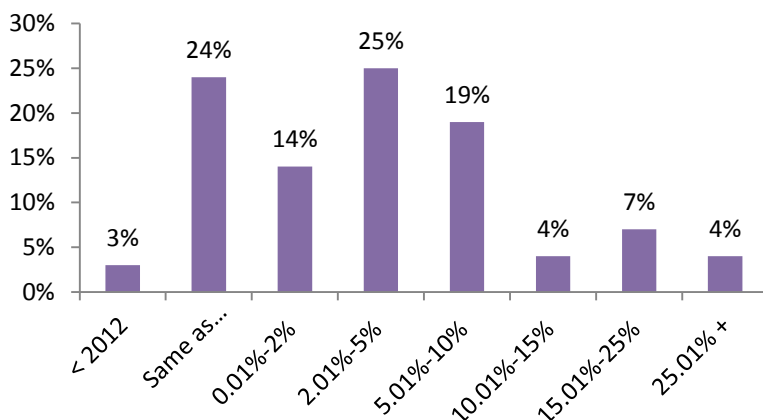
Good Food Ireland, as an all-Ireland membership organisation, has worked tirelessly to promote trade and business growth across an all island Ireland for its Approved Providers. Helen Troughton, Armagh Cider, commenting on the benefits of being a Good Food Ireland Approved Provider:

“The Good Food Ireland quality stamp immediately localises my business in the Republic of Ireland. Good Food Ireland already has a label, good food and good quality, legitimising my business, rather than a business in Northern Ireland, trying to sell its products into the Republic. The various networking events from Derby day at the Curragh to the National Ploughing Championships have provided invaluable networking opportunities, generating business to business leads and sales, as well as putting me in contact with a series of like-minded people, who support one another, have the same interests and integrity in good quality “Irish food.”

Business outlook

Despite the challenging macro-economic climate and recent controversy in the food industry, Good Food Ireland Approved Providers remain positive about their future. This year's survey shows that over 82% of respondents met their profit expectations in 2012. In a period of declining returns, Approved Provider's ability to generate increased profit year-on-year is recognition of the efforts food producers and hospitality providers have put into their business and the rewards being reaped from the well laid foundations of a number of years of hard work. Respondents are optimistic about the outlook for 2013, with 97% expecting turnover to remain the same or increase.

Figure 3: Good Food Ireland Approved Providers estimated growth in turnover 2013



Grant Thornton International Food and Beverage Report 2013⁵ provides a global perspective on the food and beverage industry. According to the report, 64% of businesses are expecting an increase in turnover while 69% project an increase in profitability in 2013. Comparatively, 73% of Good Food Ireland Approved Providers project an increase in turnover, with only 27% expecting no growth or a decrease in turnover in 2013. The results from the survey are encouraging, with respondents expectations ahead of Grant Thornton latest global food and beverage economic indicators.

⁴ Rating average percentage multiplied to total 100% of respondents

⁵ Grant Thornton International Business Report Q1 2013

Driving and mobilising growth - local and Irish

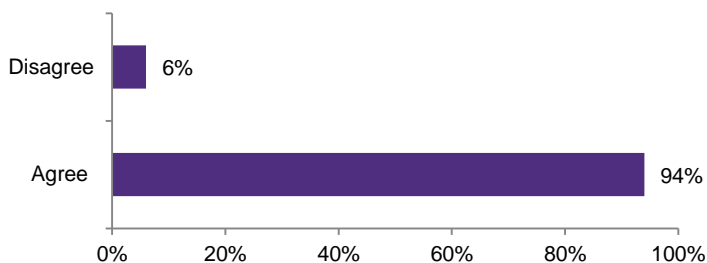
“Quality assurance for my customers”

Importance of buying Irish

Buying local Irish food helps support the local economy. According to a survey conducted by Bord Bia in January 2013, 68% of Irish people agree that it is important to buy local products to support the economy, even if they sometimes cost more.⁶ Similarly supporting local business is a key consideration for members of the public when eating out, with over two thirds (69%) of the population rating ‘the use of Irish/local’ as important when going out for a local meal.⁷

Good Food Ireland Approved Providers truly understand the importance of purchasing Irish food to use in their dishes, highlighting it on their menus to provide the consumer with a local food experience when going out for a meal. In 2012, 94% of Approved Providers increased their purchases of Irish food, an increase of 2% on the previous three years. Of those 94% of respondents who have increased their purchasing of Irish produce, 84% increased their purchases between 0%-20% in 2012 to meet increased Irish consumer demand for **locally sourced**.

Figure 4: Have Good Food Ireland Approved Providers spent more on Irish product in the last 12 months?



Unquestionably, supporting the local economy remains a key consideration for consumers in purchasing decisions whether it is dining out or home cooking. With the agri-food sector in Ireland accounting for approximately 6.3% of GDP or €24 billion and almost 10% of national employment, it has a significantly greater economic multiplier effect on the economy than typical foreign direct investment.⁸ Every extra €100 of food output is putting €60 at a minimum back into the Irish economy.⁹

Food tourism as a market in Ireland is valued at €2.2bn per annum (2009).¹⁰ It is largely value based; therefore, visitors to Ireland, who partake in a food tourism experience, spend a lot, and more importantly spend, in rural areas, where food is often the primary driver of the local economy. Food tourism is a growing market segment internationally, making the development of a strong, united food and hospitality sector in Ireland vital in gaining competitive advantage as a tourist destination.

6 Bord Bia: Feeling the pinch: the consumer outlook, March 2013

7 Bord Bia: Just ask 2013 campaign survey

8 Teagasc - Agriculture in Ireland

9 Food & Drink Industry Ireland: Sharing the harvest - the food and drink sector jobs dividend

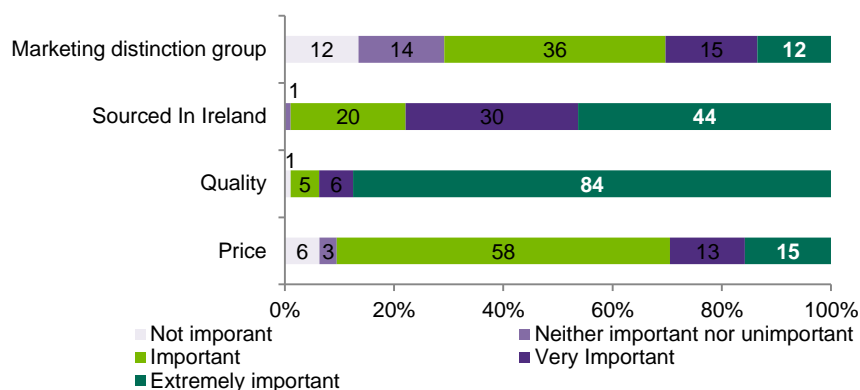
10 Bord Bia: Food Tourism, 2009

Good Food Ireland is at the heart of linking food and tourism, to develop, rival and surpass food tourism industries in continental Europe. It provides opportunities to tap into Ireland’s culinary expertise by showcasing the potential the country has to offer to international and domestic food tourists.

These very deep linkages to the rest of the economy are resonating with Irish consumers who are looking to buy local, while trying to work within tight budget constraints. Accelerating consumer trends to purchase local quality artisan produce are being capitalised on by Good Food Ireland. The crystallisation of the horsemeat scandal in the beef industry is the public verbalisation of a long “known known” - certain products can only be produced for a certain price; 20 cent for a burger cannot sound or be expected to taste good. **Price point consumers must be educated by the industry that price of consumption over the long-term must be greater than the price of production.** Good Food Ireland’s brand standard and its new online channel provides the means to educate these consumers on the true cost of quality food.

Figure 5 demonstrates the importance of sourcing in Ireland and quality with regards to the purchasing decisions of Good Food Ireland Approved Providers.

Figure 5: Influencing factors in Good Food Ireland Approved Providers purchasing decisions



Case study - Source Sligo (Good Food Ireland Approved Provider)

Source Sligo combines a restaurant, wine bar and cookery school in the centre of Sligo Town. The business ethos like its name is to provide wholesome food sourced from local suppliers who are proud of the provenance of their food. General Manager Joe Grogan, shares his feelings on the importance of local, quality provenance:



- **differentiator** - quality is the number one differentiator when sourcing food;
- **transparency of supply chain** - the horsemeat scandal had a slight effect on our business in the beginning. Sales of our ‘gourmet burger’ special were down, but now has returned to usual demand due to the transparency of where our beef is sourced from locally;
- **changing consumer demand** - customers are increasingly becoming more vigilant around the sourcing of food. On our menu you can literally trace the meat from farm to fork.
- **price premium** - customers are willing to pay a little extra for guaranteed quality and provenance. While they are still conscious of price, quality is of equal importance; and
- **a recognised quality stamp** - winning a Good Food Ireland Award in 2011 has helped our businesses sales. Customers understand that we strive for perfection in terms of the quality of our food and the recognition has helped brand awareness.

What is “Irishness”?

Given the reputational issues for the Irish food industry as a whole following the horsemeat scandal, there is an increased need to codify what it means to be able to use the word ‘Irish.’ The ambiguity surrounding terms such

as ‘made in Ireland’ or ‘Irish produce’ means customers are unsure what statement to trust. To ordinary consumers the difference between ‘Irish smoked salmon’ and ‘smoked Irish salmon’ or ‘Irish carved ham’ or ‘carved Irish ham’ is unclear, however the price point differential is very clear. While these examples are not strictly misleading labelling, not ensuring that robust systems and processes are in place can have an impact on transparency and thus ultimately consumer trust across the industry, which is a particularly strong driver of consumption in the UK.

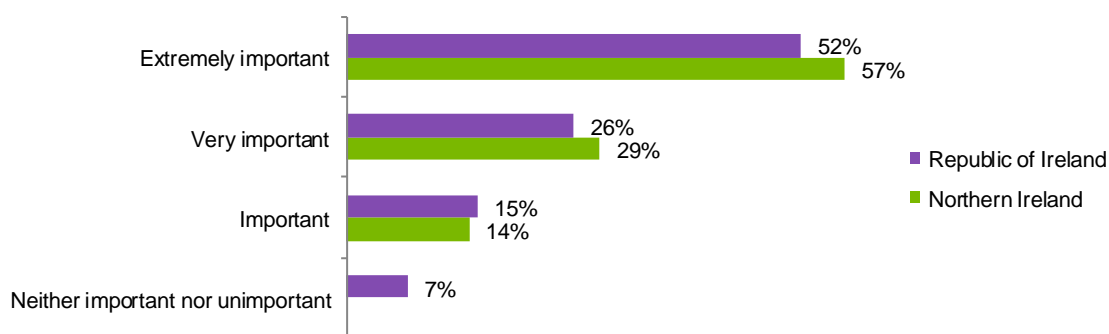
The brand standard of Good Food Ireland provides consumers with a trust that the highest quality Irish produce is sourced and sold in a fair and transparent way. The benefits of this are that Good Food Ireland Approved Providers command a premium price for their products and Irish ingredient led experiences. Each business **shares the burden** of any potentially damaging **reputational risk** from not adhering to the brand standard and consumer guarantee and the **reward is apportioned fairly**, with the network evoking an **‘esprit de corp’** with Approved Providers willing to pay that little bit extra to support other suppliers with the same ethos. This was highlighted in the survey finding that 73% of Hospitality Approved Providers producers use between 1 to 10 Good Food Ireland food producers, and 24% use between 11 to 30.

Good Food Ireland Food tourism strategy

The importance of local Irish food in delivering an authentic food experience was emphatically highlighted in this year’s Business Insight Survey:

- 99% of respondents think that local Irish food is important as an integral part of Ireland’s international business growth;
- 97% of Good Food Ireland’s Approved Providers believe that local Irish food is an economic driver for their business (2012: 90%); and
- 94% of respondents indicated that increased marketing of food in tourism is important in sustaining their business growth (2012: 80%) - see figure 6.

Figure 6: Importance of increased marketing of food tourism in sustaining business growth 2013



A food tourism strategy provides a sustainable business model for the Irish food artisan and hospitality sector. It connects food to tourism and tourism to food, providing dynamic income streams that may otherwise have not been possible. It is mutually reinforcing, capable of overcoming the disadvantages of scale that many small enterprises face, by providing a dual income stream - food and tourism - with the food experience leading to repeat purchases and brand loyalty online.

Given that The Gathering is expected to bring an additional 300,000 visitors to Ireland this year, a renewed focus needs to be placed on food tourism so as to leverage the benefits. With Good Food Ireland continuing to bridge the gap between food and tourism, positioning food as a key driver for tourism to the island of Ireland, will be critical to the lasting legacy of The Gathering and generating recurring revenue.

Good Food Ireland offers a genuine food experience along the way and is at the heart of food tourism, creating a connection between quality and the experience helping to differentiate Irish businesses, and strengthen the value proposition of Food Harvest’s 2020 “Brand Ireland”.

Driving & mobilising growth - through quality

“Good Food Ireland gives my customers peace of mind. This is a brand people can trust, and helps provide a roadmap as to where to find good quality food”

Irish Artisan foods sector

The speciality food market in the Republic of Ireland is valued at c. €449 million¹¹. Irish consumers are showing interest in artisan foods for a combination of reasons like health, provenance, quality as well as a wish to support local enterprises.

Although consumers are increasingly price-driven, they have also become more concerned with sustainability issues such as food miles, traceability, provenance, and food security, leading to a rise in demand for food and drink produce that meets these criteria. Irish consumers still perceive artisan foods as luxury/or gift items, nevertheless they are willing to spend that little bit extra for premium artisan food.

All of these trends indicate the desire for Irish consumers to purchase premium Irish food produce with authentic links to local producers. Good Food Ireland as a unique brand standard for food tourism is ideally placed to tap into this demand among consumers.

Putting quality back on the table

The recent horsemeat scandal has put the issue of quality and Ireland’s food reputation firmly and enduringly we believe on the table of government, industry and consumers alike. Good Food Ireland’s brand standard has ensured that its Approved Provider’s through independent inspection, share a philosophy and commitment to using local food, providing trust to consumers who want to purchase **‘good food - local traceable, simple wholesome and well served.’**

Figure 7 ranks survey respondents reaction to the horsemeat scandal. 20% of respondents felt it was unsurprising that it happened given intensive downward pricing pressures placed on those “in the middle of the supply chain,” while 20% felt it has led to a shift in consumer perceptions of what is in their food - with potential positive effects for Good Food Ireland Approved Providers businesses. Labelling transparency was an on-going concern for Approved providers (19%), with the potential reputational damage to Food Brand Ireland identified as the 6th largest concern.

Figure 7: Good Food Ireland Approved Providers reaction to the horsemeat scandal

Respondents asked to rank the most important sentiment they feel arising from the horsemeat scandal

	Key sentiment arising from horsemeat scandal	% of respondents
1	Unsurprising given downward pressures on price	20%
1	Changing consumer perception of quality/beneficial to GFI businesses	20%
3	Labelling transparency	19%
4	Food model broken	15%
5	Legislative change required	12%
6	Reputational damage to Food Brand Ireland	11%
7	EU wide scandal	3%

¹¹ Mintel: Consumer report on artisan food Ireland, March 2012

Good Food Ireland Approved Providers, the people at the coalface of Ireland’s food sector, responses to the horsemeat scandal have been open and honest. A sample of quotes from Approved Providers include:

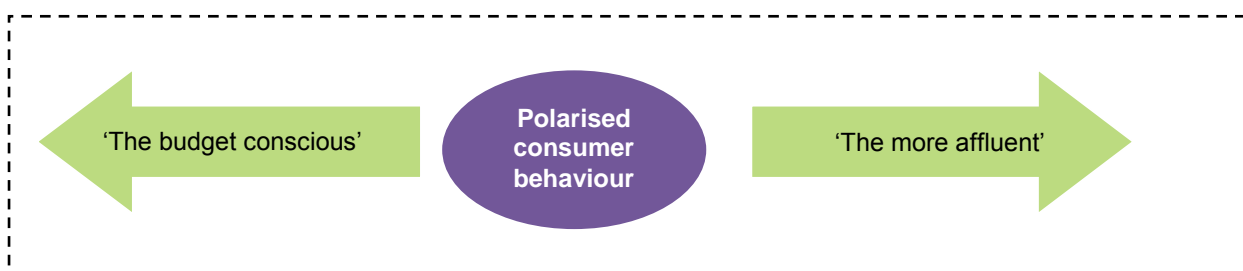
“It has damaged the reputation of the Irish food industry, but small suppliers and local artisan producers are coming out of the scandal stronger”.

“It’s a reflection of how broken the food chain is in Ireland. The meat industry in particular is very ruthless and profits/prices are driving what happens: quality has nothing to do with it. We have to question food being sold at such low prices.”

“It proves that large scale does not mean better traceability. Small scale and locally produced is easier to track back to source and is far better for the local economy.”

Today’s consumer

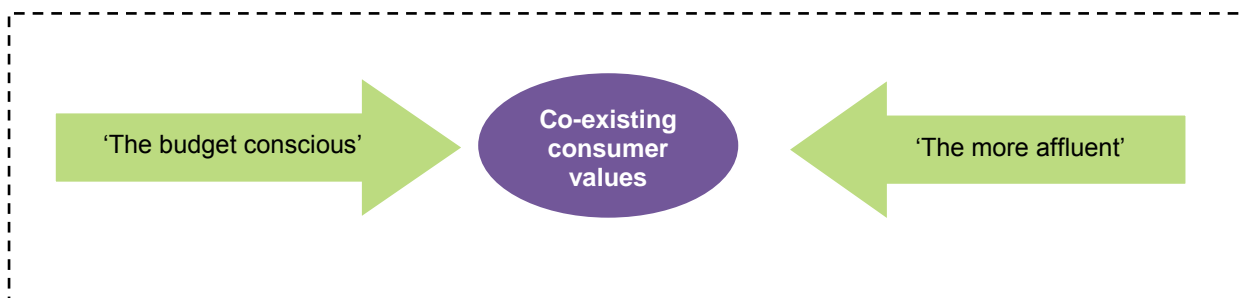
Figure 8: Changing consumer behaviour 2012



Source: Grant Thornton 2012

Last year’s survey identified two distinct types of consumers - ‘the budget conscious’ and ‘the more affluent consumer’. In 2012 these two consumer bases were being pulled apart from the centre, with a clear line of division for F&B companies when positioning the product to either consumer segment. The budget conscious were increasingly purchasing private-label products, driven by price and convenience over value and provenance, while the more affluent consumer made purchasing decisions based on packaging and often unsubstantiated labelling claims around issues such as health and wellness on supermarket shelves.

Figure 9: Changing consumer behaviour 2013



Source: Grant Thornton 2013

In 2013, the public unravelling of practices in certain parts of the sector has nullified the belief that cheap means value for money - **“it just means cheap”**. We believe the effects of the horsemeat scandal will be enduring and have blurred the boundaries between both consumer groups. The budget conscious and/or more affluent consumers are increasingly questioning where their food comes from. In general, this survey has found that consumers are looking for more knowledge about local food and producers; they have heightened awareness of full traceability at all times; customers are gravitating towards providers they can trust, avoiding the cheap option, endorsing those trustworthy and quality operations. Figure 9 illustrates the changing nature of today’s consumer

- demanding traceability of their products, more aware and beginning to understand the need to pay that little bit extra for a premium product that guarantees local provenance.

The budget conscious and more affluent consumers are being pulled towards the centre, as the trend towards quality; however the impact of the recession has meant these two consumer bases are unlikely to merge any time soon, as the price point is still one of the most critical determinants of consumer purchasing behaviours.

Polarised consumer behaviour is more likely to be seen among different age cohorts with technology and online marketing impacting their decision to choose one product over another.

The UK market

Given that 99% of Good Food Ireland survey respondents cited that local Irish food is an integral part of Ireland’s international business growth, the findings of a number of UK polls, most recently Mintel Research that British shoppers are more interested than ever in eating food produced in the UK is increasingly a concern. In December 2012, 40% of British shoppers agreed that British food was better quality than imported food; by March 2013, that figure had risen to 49%. The recent announcement by Tesco CEO Philip Clarke , that the retailer is to source most of its meat **“closer to home”** with all fresh chicken from the British Isles by July 2013, can be considered a worrying trend for businesses that are listed or attempting to become listed in UK multiples. The drive to “buy British” in our biggest export market - if ignored is certain to have an impact on a number of Good Food Ireland products and the Irish food and beverage industry in general.

Provenance as a key differentiator

In countries like France and Italy, with global reputations for culinary excellence and diversity, referencing a specific region is common practice. Ireland is still miles behind the potential of EU protected food names. A tiered system which references specific regional identities may help to create a unique value proposition for a nation with rich and diverse food specialities, local ingredients, production methods and reputation. Some of Europe’s most emblematic cheeses, for example, Dutch Gouda, White Stilton and Greek Feta, are adorned with such differentiation marks.

There are three elements to the EU system for protection of food names: Protected Designation of Origin (PDO), Protected Geographic Indication (PGI), and Traditional Speciality Guaranteed (TSG or Certificate of Specific Character).

For a country that exports approximately 80% of what we produce, it is surprising to say the least that we sit in the bottom rung of EU countries with registered names. Connemara Hill Lambs once derided for being lighter than lowland lambs, now commands a premium price. Farmers received a bonus of €4 per head for rearing the lambs to PGI specifications in 2011. The PGI offers protection; it provides quality and price assurance, provenance, with consumers aware of the authenticity of the registered name.

Figure 10: PDO and PGI products in Ireland (registered and pending)

Product	Element	Date	Status
Imokilly Regato	PDO	05/10/1999	Registered
“Waterford Blaa”/ “Blaa”	PGI	17/07/2012	Pending
Connemara Hill lamb; Uain Sléibhe Chonamara	PGI	16/02/2007	Registered
Timoleague Brown Pudding	PGI	07/11/2000	Registered
Clare Island Salmon	PGI	05/10/1999	Registered
Irish Salmon	PGI	09/10/2012	Pending

EU protected food names are an example of regulation promoting specialised, premium produce that are accepted widely across Europe. By increasing the number of protected designations, Ireland has the potential to further differentiate itself as an optimal location for an exclusive food experience.

Food safety and security

Last year's Good Food Ireland survey found that many respondents felt strongly that the requirements affecting their business were unfair vis-à-vis other EU countries. It is interesting to see that this year Good Food Ireland Approved Providers see this as a competitive advantage. The breaking of the horsemeat scandal damaged the perception of Ireland's worldwide reputation for high quality food produce and trusted safety standards overnight. However, since then, the scandal has become EU wide. However the banking crisis became an EU wide and global issue and still remains to this day on our doorstep and our problem. We do not believe this to be short-term, but rather part of a wider systemic drive to change the current food business model, with changing consumer food behaviour at the centre.

The horsemeat scandal has caused reputational damage, however it has presented opportunities for Irish quality artisan products overseas. As always in adversity there can be opportunity. Increased regulation to further strengthen the value proposition of Irish food has been welcomed by Good Food Ireland Approved Providers, with 71% pushing for regulatory changes.

Food safety and security is the foundation on which the Irish food industry is built¹², high food safety standards can and should be further exploited as a differentiator in leveraging our 'Irishness'. Good Food Ireland Approved Providers are encouraging greater regulation. **Ireland must be at the heart of the solution to the problem we found and capitalise on it as a key differentiator of the Ireland Food Brand.**

Labelling

Labelling of foodstuffs is an EU and countrywide problem: the level of complexity and intricacies in food labelling in the beef industry was highlighted at length in the media recently and is part of a longer term trend. This along with traditional confusion of what is the standard definition of particular terms that are commonly seen on food products has pushed food labelling to the front of EU policymakers agendas. **What is natural? What is artisan? Home-made? Hand-cooked? Farm-fresh?** are among some of the common mislabelling that is seen in Ireland.

Good Food Ireland Approved Providers are concerned that consumers have no way to tell the difference between the genuine claims and the labels that seem to be little more than deliberate mislabelling or enhanced marketing. The horsemeat scandal should accelerate the process of change around labelling and **create a real differentiator** for Good Food Ireland businesses whose labels are at the root of what is local, artisan, fresh, free from, organic and most importantly - Irish.

¹² National Rural Network, Supporting Ireland's Rural Development Programme. "Food Safety, the foundation on which the Irish Food Industry is built" Nov. 2011

Driving & mobilising growth - leveraging .coMmErce today and tomorrow

According to BBC, 83% of Irish consumers own a laptop, 64% a smartphone and 21% a tablet computer¹³. In addition 86% have broadband access. A higher percentage of Irish are online when compared to EU average (80% Ireland - 65% EU) with 32% of Irish going online using a mobile device.¹⁴ In the UK 33m people a day access the internet and it has the highest per capita spend on e-commerce in the world.

All of these trends point towards the growing presence of consumers and businesses which operate almost entirely online when it comes to making purchasing decisions. In essence **if you are not online you don't exist**. Online marketing is the only area within the marketing sector which is seeing growth, in excess of 20% year-on-year. 59% of businesses, according to the latest State of the Net Quarterly Bulletin reported higher return on investment from online marketing than traditional forms of marketing. Marketers are increasingly changing the means in which they effectively target the **'on the go, cash and time poor'** consumers.¹⁵

With Irish consumers increasingly making online purchases, understanding how core purchase decisions are shaped by technology will be the 'new normal' in which clever data capture and analysis around changing demographics (e.g. incomes, age, household size, and preferences), relative prices, value, provenance and technology readiness, will be as important as the artisan production process or hospitality service itself.

How food and beverage businesses adapt to changing demographics in Ireland and overseas will be critical to future success. Considering the changes in demographics (e.g. Europe's ageing population; Ireland's baby boom) as well as technology readiness (e.g. broadband penetration in Ireland/Europe - 80%/65%), Smart businesses need to consider whether to invest in m-marketing and sales expenditure on younger age groups or older age cohorts or both. Those in the middle tend to have less disposable income due to high levels of debt, with less expenditure for premium food products and food experiences. However those in the middle remember earlier positive experiences and can be reached with smart, targeted specific messages/campaigns.

Good Food Ireland's leading edge website connects the consumer to the Approved Provider, guaranteeing a collective quality Irish standard, in return generating a premium price for its businesses. By capturing marketing intelligence, crafting persuasive arguments, tracking and anticipating changing consumer needs and preferences, the website through the online food shop and my food trip planner, will continue to adapt and the right value proposition for the right consumer segment domestically and internationally. The collective power of the website like the brand standard will guarantee locally sourced and premium quality both domestically and overseas.

Figure 11 provides an example of the Irish demographic and technological shift taking place. **Smart** businesses understand their consumers like never before, segmenting them by key **demographics** and **location**, aiming to service those who have the financial means to pay for premium local artisan products or food experiences.

¹³ BBC News and Adforce.ie survey: Irish consumers have high digital news consumption, June 2012

¹⁴ Irish Independent: More Irish online than EU average and more of us are using mobile devices, July 2012

¹⁵ See parcelmotel.com as an example of responding to and driving changing consumer purchasing behaviour.

Figure 11: Changing Irish consumer demographics and adaptation to technology

'Kerrygold' generation 1950-1960s	'Smash' generation 1970-1980s	'Marathon bar' generation 1980-1990	'Red Bull' generation 2000-present
<p>Facts</p> <ul style="list-style-type: none"> 10.1% of the population between the ages of 55-64 87% increase in people aged 50+ expected from 2006-2021 +65s on average spend 31.7% of their income on food & drink compared to 27.3% of people under age of 66 <p>Trends</p> <ul style="list-style-type: none"> working later for both economic & emotive reasons want to remain young, embrace technology at faster rate than previous generations use the internet 21% of the time (every day or almost every day) <p>Insights for Good Food Ireland Approved Providers</p> <ul style="list-style-type: none"> wealthier, living longer, more disposable income and time to spend it increased demand for health and wellness products - functional, value added products - willing to pay premium price 	<p>Facts</p> <ul style="list-style-type: none"> 15.1% of population between the ages of 35-44 12.6% of the population is between ages of 45-54 established careerists, in general with a wife/husband, children & house <p>Trends</p> <ul style="list-style-type: none"> more frugal & controlling of their spend, purchasing own labels & branded goods were appropriate 'cash rich & time poor', appreciate value & convenience increasing their purchasing of goods online (e.g. Nightline's Parcel Motel & Tesco's Click & Collect Service); use the internet 70% of the time (every day or almost every day) <p>Insights for Good Food Ireland Approved Providers</p> <ul style="list-style-type: none"> highly leveraged, incomes declining, taxes increasing potential growth opportunity in convenience retailing and premium ready meals 'staycations' in Ireland 	<p>Facts</p> <ul style="list-style-type: none"> 16.5% of the population is between the ages of 25-34 Growth in this age grouping has slowed Approximately 30.8% of under 25s were unemployed in February 2013; although unemployment has declined relative to other age cohorts in last 18 months <p>Trends</p> <ul style="list-style-type: none"> employment opportunities have been limited since reaching working age, many still in university, emigrated, unemployed, or still living at home with parents cutting back on 'going out' technology savvy, instant access generation (use the internet 78% of the time every day or almost every day); likely to be influenced by social media, use e&m-commerce <p>Insights for Good Food Ireland Approved Providers</p> <ul style="list-style-type: none"> low income levels, still likely to be living at home; although not heavily indebted less likely to part with hard-earned cash as impulsively as in the past 	<p>Facts</p> <ul style="list-style-type: none"> Ireland is experiencing a baby-boom since 2006, the number of children aged 0-14 has risen by c.115,000 & now accounts for over 21% of the population strongest population growth rate in EU over coming decades - 46.5% increase expected by 2060 <p>Trends</p> <ul style="list-style-type: none"> parents likely to purchase branded goods when shopping for children brought up with internet, embrace technology - smartphones, use m-technology and social media savvier than other generations in purchasing decisions <p>Insights for Good Food Ireland Approved Providers</p> <ul style="list-style-type: none"> consumers tend to stick to brands they purchase from an early age. Opportunities for early brand loyalty/equity purchasing decisions influenced by unlimited data available at the click of a mouse, or touch of a phone

Source: Grant Thornton 2013

The always connected society means that consumer preferences are constantly changing; technology provides the insights into these changing behaviours, with Good Food Ireland businesses providing the product or food experience.

Evidence that Good Food Ireland Approved Providers are embracing technology to mobilise and drive business growth is strong as this year's survey results reveal:

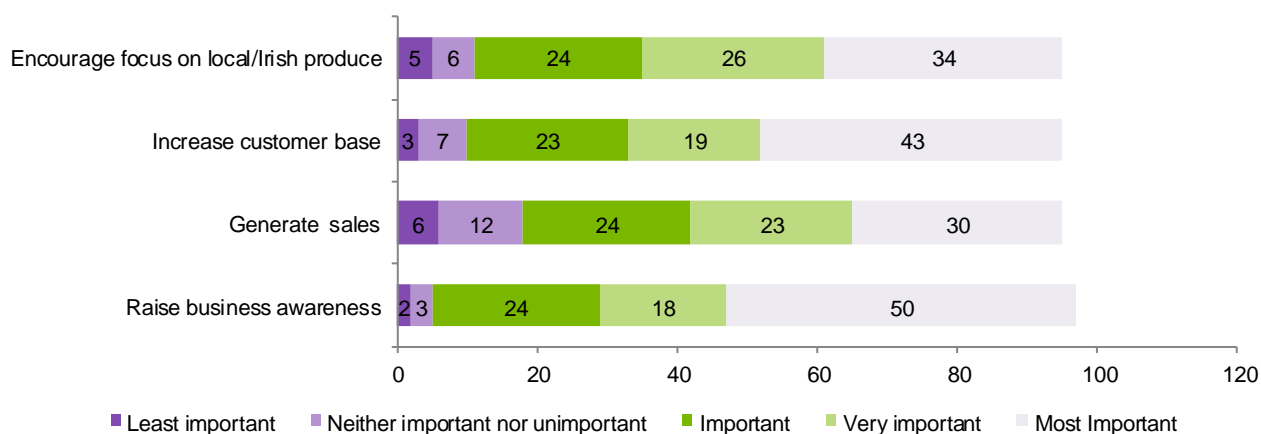
- 43% of Good Food Ireland Approved Providers generate revenue online;
- 74% expect their online price point to compare to their offline price point in 2013, with 14% expecting margins to increase online;
- 17% expect to generate revenue online within the next 24 months;
- of the hospitality sector respondents 57% forecast that 0%-20% of their bookings will come from online channels; and
- 24% of Hospitality sector respondents expect 21%-40% of revenue to be derived online in 2013.

Two thirds of those surveyed believe online business is imperative to grow international sales. An online presence (e.g. website, social media, apps, quick response codes) is increasingly providing the means to build routes to the end consumer.

Good Food Ireland Approved Providers are using social media as an inexpensive and effective way to engage with consumers online. Figure 12 highlights the importance social media has on Approved Providers businesses. Encouragingly 95% of respondents expect to grow their social media strategy through Facebook, 75% Twitter and 40% LinkedIn in 2013. Raising business awareness was considered the most important objective of an effective online media strategy, with 50% of respondents ranking it as a crucial sales window for their business.

Figure 12: Importance of social media to Good Food Ireland Approved Providers

On a scale of 1-5, where 1 is the least important and 5 the most important



Online business is a step change in where to sell and how to sell, disrupting the playing field of how businesses compete both domestically and internationally, by not having to have a physical footprint in non-Irish markets. It has never been easier for Good Food Ireland Approved Providers to sell overseas with its new online website.

Those businesses that have already embraced changing technologies (e-commerce and m-technology) will have to adapt their marketing strategy both physically (e.g. in-store promotions) and online if they are going to continue to trade through short-term challenges, to meet revenue and profitability expectations in 2013 and in the long-term. To coin a phrase **“if you want to fish, then fish where the fish are or anchor your fishing boat to where the fish are moving to.”**

For businesses that have a seasonal revenue stream, online sales can help offset declining footfall during the off-season. For example a Good Food Ireland Approved Provider that offers tourism activities in summer, can sell their products online throughout the year, increasing sales during traditionally slow business periods. Good Food Ireland’s online marketing strategy reinforces a sustainable business model. International visitors decide to visit Ireland after research online, they vacation in Ireland and spend in the local economy, recommend others to visit, and then purchase products online upon returning home. This virtuous cycle is the essence of a sustainable business model and the heart of Irish food tourism. Word of mouth advertising reinforced by a strong online message caters to how consumers are now buying.

Case study - Connemara Smokehouse (Good Food Ireland Approved Provider)

Connemara Smokehouse is the oldest smokehouse in Connemara and one of the oldest in western Ireland. They are one of the few remaining smokehouses still specialising in smoking wild Atlantic salmon and also have a visitor centre. A family run business, Graham and Saoirse Roberts started selling their products online over 10 years ago. Graham's key learning's for an effective online strategy:

- Saoirse identified the opportunity, seeing it as a way of opening up new routes to market geographically, while still managing the business from the smokehouse in Connemara;
- offered another revenue stream for the business. The online sales point made our business more available to the domestic and international consumer. Our business is **"always open"** with an online strategy;
- revenue is split down the middle between online and offline sales. The price point is the same and complements our food tourism business;
- visitors often purchase products online, long after they visited the smokehouse. It provides a sustainable type of revenue, especially during the visitor centre off-season; and
- it provides a point of reference for discerning customers. The always connected/online society meant that within half an hour of the 'James Nesbitt's Ireland' ITV TV show in March 2013, which showcased Connemara Smokehouse salmon, 8-10 new orders were received immediately online. If you have a business and you are located rurally, but there is a latent demand for your product domestically and internationally - online marketing and sales are crucial.



As reaction to the online marketing needs of Approved Providers, Good Food Ireland in February 2013 launched their online food shop and my food trip planner on their leading edge website. It provides a platform for international customers to purchase Irish food produce, Good Food Ireland Gift Boxes and Gift/Prepaid vouchers online, while my food trip allows potential tourists to plan a trip to Ireland by booking accommodation, restaurants or cookery classes online.

Driving and mobilising growth - converting topline growth to increased sustainable earnings

“Managing costs and increasing turnover”

Business challenges

In today’s difficult trading environment there are a number of internal and external factors that are impacting day-to-day business activities. The economic climate means consumers have less to spend and are shopping around, footfall is down, input costs continue to rise (e.g. raw materials, fuel, heat, electricity), debtor days are increasing, while credit is tightening. In order to mitigate the risks of these challenges impacting business growth, sound businesses need to have good management information systems and metrics in place.

Figure 13 identifies the key challenges of running a business. The main drivers of costs are typically labour and a number of costs typically can be influenced by the State such as utilities (e.g. electricity, water and rates).

Figure 13: Biggest challenges to Good Food Ireland Approved Providers in running a business

Barriers	% of respondents
Costs/Overheads	37%
Consumer spend	16%
Access to finance	10%
Trading conditions	8%
Transport and distribution	6%
Raw Materials	6%
Seasonality	3%
Competition	3%
Price Resistance	3%
Others	8%

Managing your cash flow

The old adage that turnover is vanity, profit is sanity but cash is reality holds as true today as it ever has. Good Food Ireland Approved Providers have identified cash flow as their biggest financial challenge with the ability to conserve, control and predict cash flow requirements increasingly difficult in a constantly changing business environment. 66% of Approved Providers identified cash flow as a challenge on a day-to-day basis, yet almost three quarters of respondents stated that they prepare cash flows to project out their cash requirements. **Clearly knowing where you are is better than not knowing.**

Cash flow problems constraining growth highlighted by Good Food Ireland Approved Providers includes seasonality of business, getting paid, paying down debt and revenue monthly during the quiet season, labour costs and overheads. The disconnect between those that carry out cash flow projections and those that have cash flow problems is often a combination of a number of factors - both controllable and uncontrollable. For those factors that are controllable/internal to the business, cash flow requirements should be carried out regularly (daily, weekly, fortnightly, depending on your type of business) rather than just a box ticking exercise for banks, State Agencies, etc.

Every business should establish what the short-term cash requirements are and then forecast longer-term cash flows based on credible and realistic information. By focusing strongly on key metrics, at both a high and

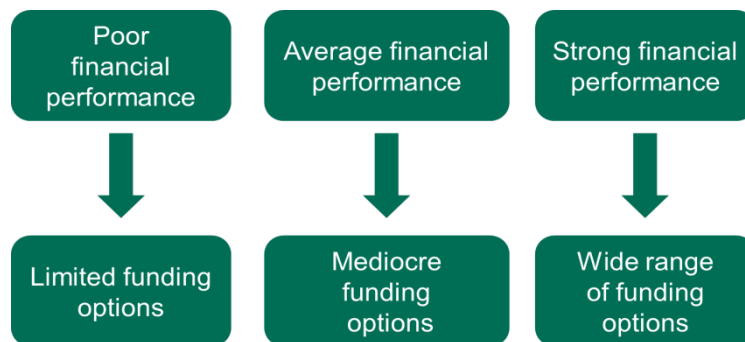
granular level (e.g. stock cycles, creditor and debtor days) costs can be taken out of the business and cash flow improved.

Access to finance

Management of financial performance is increasingly becoming a key differentiator for businesses as they try to attract funding. A number of Good Food Ireland Approved Providers identified access to finance as a key financial constraint. The days of easy access to credit are gone, banks are lending, but rightly not in the same manner as they used to be before.

In order to be top of the queue to raise capital/funding, businesses need to operate a streamlined business with smart processes and technology in place that underpin strong financial performance. Poor financial performance will lead to average funding options - see figure 14. Businesses will have to manage balance sheet performance, which is increasingly becoming as important as operating performance to ensure a wide range of funding options.

Figure 14: Average breeds average



Source: Grant Thornton 2013

Businesses that can raise capital/funding externally tend to have a number of traits in common:

- a strong leadership team;
- tight working capital management;
- an ability to adapt quickly to changing circumstances;
- a dynamic and evolving business plan in place; and
- a deep understanding of underlying financial performance.

For Good Food Ireland Approved Providers with an existing relationship with a bank or are in the process of applying for a grant, their ability to meet all of the requirements above will be crucial in securing capital. Interestingly, 73% of Approved Providers already have existing debt, with 65% using an overdraft facility to manage working capital. Figure 15 highlights the requirements that lenders are placing on Approved Providers when looking for finance and figure 16 the facilities used to manage working capital.

Figure 15: Good Food Ireland Approved Providers Banking requirements when looking for finance

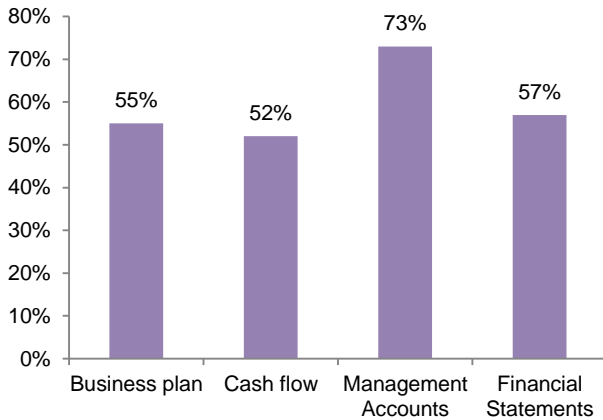
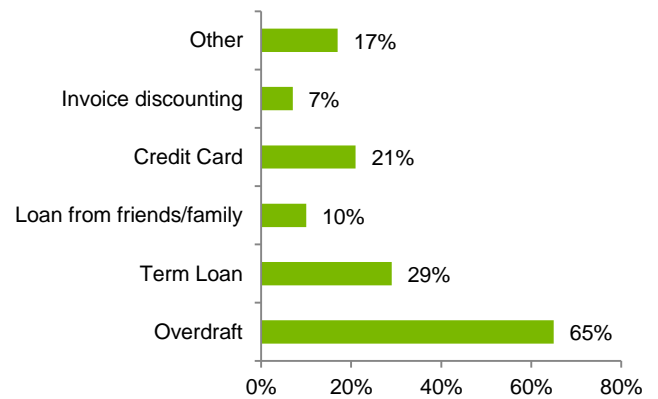


Figure 16: Good Food Ireland Approved Providers Facilities used to managing working capital



Profit improvement/Lean management

Instituting a culture of continuous improvement where non-value adding activities are relentlessly driven out of a business is the focus of Lean management. “Lean” is about doing what is right and doing it as well as can be done. It starts from the point of knowing what a customer wants, values and needs and works to find the best way to deliver that to them.

For smart businesses **Lean** focuses on providing customers with the **best possible service**, at the **best possible prices**, at the **best possible quality levels** and **when the customer wants it**. The fundamentals of Lean are simple, eliminate waste, by becoming as efficient and effective as possible. By eliminating non-value adding activities (waste), it frees up resources for Approved Providers to re-invest in new product development, capital expenditure, new staff, as well as developing new income streams (e.g. online sales channels). This ensures that businesses are able to capitalise on constantly changing consumer preferences when they happen.

Enterprise Ireland has a Lean programme in place for all sizes of companies. Only 19% of Good Food Ireland Approved Providers are Enterprise Ireland members, with 53% of those members aware of Enterprise Ireland’s Lean Start offer, where you can benefit from 7 days consultancy worth €6,300, with €5,000 funded by Enterprise Ireland. To date 279 Enterprise Ireland members have taken advantage of this initiative saving hundreds of thousands of euro in the process.

Figure 17: Good Food Ireland Approved Providers membership of Enterprise Ireland

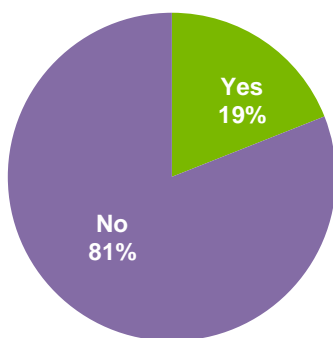
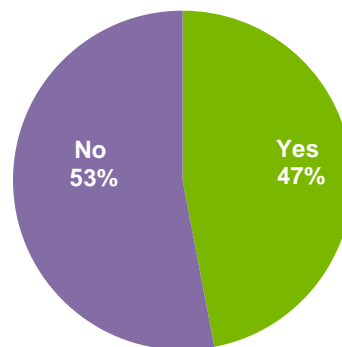


Figure 18: Those Enterprise Ireland members who are aware of Lean Start



Profit improvement and process

Grant Thornton, the only professional service firm on Enterprise Ireland's Lean consultancy directory have considerable expertise around Lean. The profit improvement team have worked with several clients putting in place core financial key performance metrics around cash flows, cost control, revenue growth and working capital. Profit improvement is only one aspect of Lean, however, with the people behind the business equally as critical. As a result a core focus is placed on business structure reviews and role profiles necessary to create a culture of continuous improvement within any organisation.

By mapping out the processes in a company and the areas that are non-value adding, significant costs can be saved for a business that is willing to introduce tools and techniques behind Lean to their business. For example, through Lean, food processors have been able to turn waste streams into resources that were once considered unfeasible. In Ireland, on average 50% of a typical fish is classified as waste, with a corresponding figure of up to 30% in the beef sector. In almost every food production process there is a fifth quarter waste stream that has the possibility of being turned into a resource which means the waste has the potential to be very profitable. Similarly in the hospitality sector there are opportunities to introduce cost saving measures, streamline processes and enhance value propositions to differentiate one business from another.

Best Practice is about striving for perfection, Good Food Ireland Approved Providers do this in the quality of the produce and ingredients they source, the artisan product that they sell and the food experience that they create. Lean is based on the same fundamental principles, helping to achieve perfection in the day-to-day operations, turning costs into profits and freeing up invaluable owner/management resources to focus on what the customer wants.

Successful Irish businesses are looking out not in, with customers, talent and the opportunities that smart technology and processes provide being the sharp end of the pencil when it comes to driving growth.



About Good Food Ireland

Good Food Ireland is a non-governmental, industry group founded by Margaret Jeffares in November 2006, based on her farm in Co. Wexford. Good Food Ireland identified a major gap in the market linking food with tourism so that food could be marketed as an economic driver for visitors to Ireland, delivering authentic food experiences and thus increasing the market opportunity for Irish food. Good Food Ireland set about developing a consumer brand with criteria based around a core commitment to using locally produced food, high product quality and service standards. Through Good Food Ireland, Margaret put in place a strong industry Steering Group and forged links with key stakeholders including government agencies, media and international tour operators.

Today Good Food Ireland markets over 600 Approved Providers comprising B&B's to 5 star hotels, restaurants, pubs, cafés, cookery schools, food shops, food producers and farmers markets. Good Food Ireland has also firmly established a strong domestic and international customer base by connecting its food Approved Providers with growing consumer demand. In its on-going goal to promote Ireland as a food tourism destination, Good Food Ireland delivers a value added service as a food destination resource putting ingredient led Irish cuisine at every point from farm to table on the map. Good Food Ireland is the leading community “for everyone who simply loves good food”. For more information visit www.goodfoodireland.ie.

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About Grant Thornton

Grant Thornton Ireland

Grant Thornton provides assurance, tax and specialist advice to businesses to help them grow. Grant Thornton has significant experience in the food and beverage sector from the farm gate through to processing and retail. Our experience means that we can readily identify the critical issues affecting your business and then quickly provide specific solutions. The firm comprises over 480 partners and staff operating from offices in Dublin, Limerick, Kildare and Galway.

Grant Thornton has produced several thought leadership reports and surveys in the food and beverage sector in the last number of years (see below). To access the full list of reports visit - <http://www.grantthornton.ie> or contact us at: ciara.jackson@ie.gt.com

- Food: the secret ingredient to Irish tourism and export growth - Grant Thornton Business Insight Survey 2012
- Food 4.0: The dynamics of supply and demand
- The Smart Ingredients for success
- Where is the smart money going in food and beverage?
- Smart money in food and beverage - tracking growth in turbulent times

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Methodology

To gain a balanced and informed view we commissioned the research for this report based on Good Food Ireland Approved Providers in both the Republic of Ireland and Northern Ireland. Good Food Ireland has 262 integrated businesses¹⁶ all of which were included within the scope of the survey. 97 integrated business owners completed the survey, generating a 37% response rate.

The Good Food Ireland consumer guarantee - you will always get much more than just good local food - is built on the philosophy of commitment to local food and rewarding food experiences. As such, all providers are independently inspected and therefore referred to as Approved Providers.

Respondents were asked to give their opinions on a number of issues including the importance of food tourism going forward, changing consumer trends, as well as the main challenges facing the food and hospitality sector over the next 12 months. All answers were confidential and the results have been reported in aggregate form. The data in this report was recorded between 5 March 2013 and 15 March 2013. Any data provided in sterling has been converted to euro using the appropriate current rate.

¹⁶ Integrated businesses are groups that have more than one consumer facing operation, for example a hotel chain may have one owner but several hotels within the chain.



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