Consumer Insights

Research findings on retail sales of fresh lamb in Scottish and GB markets, including consumer purchasing trends.

Key Findings

1/ In 2008, fresh lamb in Britain was subject to retail price increases that may be a contributing factor to overall volume decline.

2/ Scottish origin lamb stands out during 2008 as it has successfully attracted new shoppers which has been key in driving sales.

3/ Roasting cuts over trade in Scottish origin lamb and have experienced strong growth. New shoppers have been brought into the Scottish origin fresh lamb category via these cuts.

4/ Awareness of the Scotch Lamb logo remains strong in QMS' British target markets.

5/ Scottish origin lamb, on average, receives a premium at retail level over other origins of lamb.

QMS
QUALITY MEAT SCOTLAND

An Overview of Retail Lamb Sales within Great Britain

Yr/Yr Change – Total Trade – Fresh

52 w/e 28th December 2008

Annual retail sales of lamb in GB during this time period was £535 million.

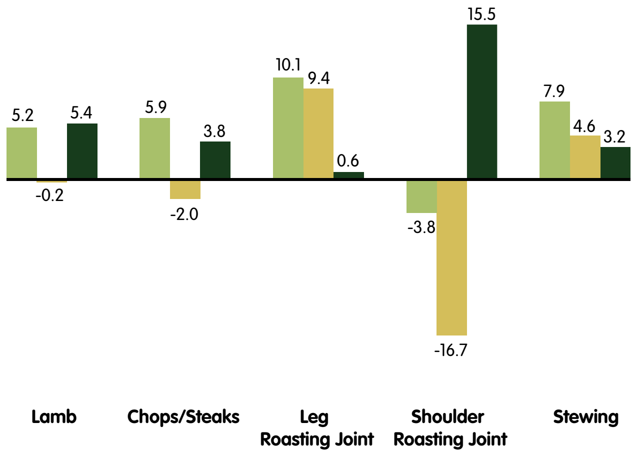
Source: TNS

% Changes

Year on Year Spend

Year on Year Volume

Year on Year Retail Price Change



Retail price increases in the past 12 months have been steep. When looking at the retail price index (RPI) over the past decade, the RPI for all products has increased by 32%, with lamb increasing by 40%. This price increase means that some consumers have decreased the frequency they purchase the product and have reduced the weight purchased per trip. For these price sensitive consumers, it will take time to adjust to the higher prices being charged for the product.

Whilst the retail price of lamb has not seen the same swift retail price increase over the last 12 months as other food groups have experienced, there has still been an overall retail price increase of 5.4% for the 52 weeks ending 28th December 2008. However it is still ahead of the total RPI which experienced a 1% increase during the same period.

When looking at the total fresh lamb retail sales category in GB, there is a clear relationship between retail price increase and volume sales decline. The shoulder roasting joint cut experienced the largest price increase of 15.5%, which reflected on the decrease in volume sold as household penetration and frequency went down as consumers switched to other cuts within the category.

The price increases have had an affect on the balance of cuts consumers are purchasing. Higher priced cuts have experienced volume declines as consumers are increasingly conscious about the amount of money they are handing over at the check-out.

Although lamb mince has experienced large increases in both volume (+31.3% year on year) and value (+33.1% year on year) sales, it only accounts for around 6% of the value sales of fresh lamb in GB.

The largest category within fresh lamb continues to be chops and steaks, accounting for 40% of the category.

An Overview of Retail Lamb Sales within Scotland

Yr/Yr Change – Total Trade – Fresh

52 w/e 28th December 2008

Annual retail sales of lamb in Scotland during this time period was £31 million.

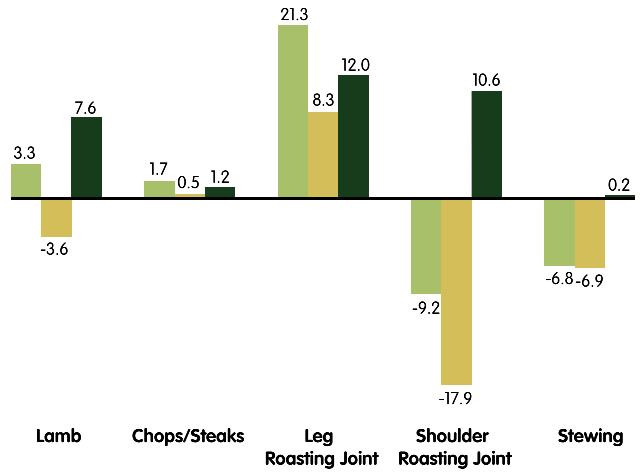
Source: TNS

% Changes

Year on Year Spend

Year on Year Volume

Year on Year Retail Price Change



In Scotland the chops/steaks category represents 45% of fresh lamb sales (compared to 40% in GB). The increase in leg roasting is encouraging as Scotland currently under trades in this cut (24% share of trade compared to 27% in GB). Lamb mince has gained in popularity but not as much as on the GB level.

Scottish origin lamb in GB is driving sales of total lamb in GB. Whilst total GB lamb declines in volume, Scottish origin lamb sees strong volume growth from an increase in shoppers. Scottish origin lamb in Scotland also performed well, seeing both value and volume growth. This trend may be due to a better identification (labelling) of lamb in retailers.

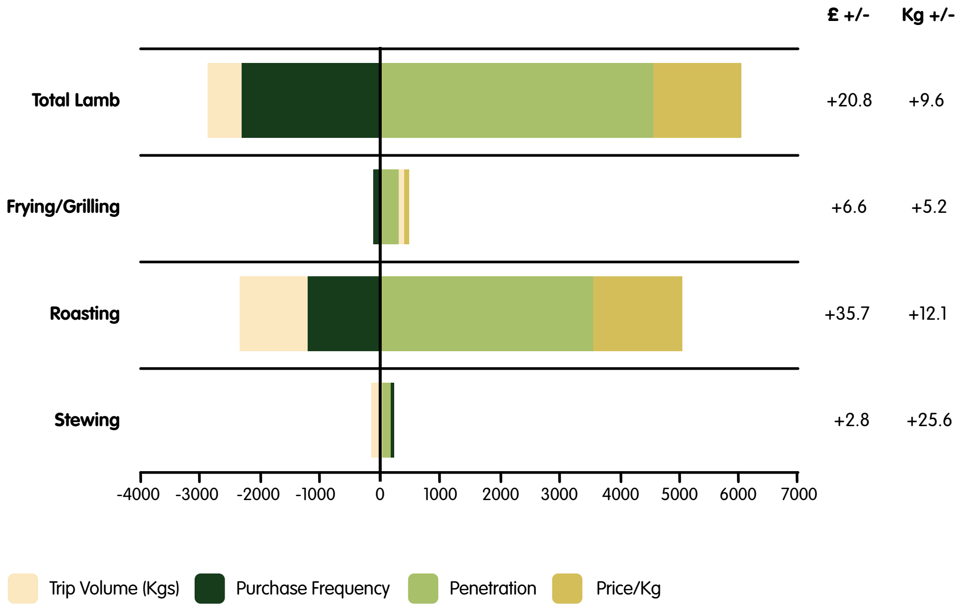
Quarterly, total lamb in GB is largely driven via price increase, as seen annually. GB lamb volume further declines quarterly. However, Scottish origin growth accelerates both in value and volume. Lamb in Scotland's performance accelerates on a quarterly basis, with Scottish origin seeing even greater growth than annually.

In Scotland the Lamb leg roasting joint performed well over the year, perhaps driven by more consumers entertaining at home

Scottish Origin Lamb Cuts

Total Great Britain

52 w/e 28th December 2008



Source: TNS. Penetration: Number of households or individuals consuming or buying relative to the total number of households or individuals. Purchase Frequency: Average number of purchasing/shopping acts per purchaser in a given time frame.

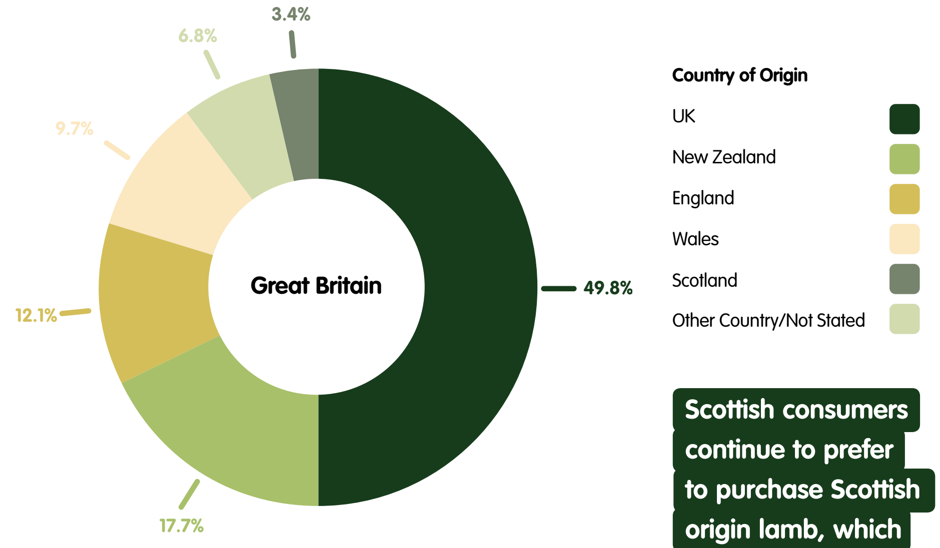
The roasting category drives the total Scottish origin lamb market movements. It gains largely via new shoppers, with trip volume and frequency down. This is different to the overall lamb category where some roasting cuts have seen declines.
This may be due to consumers eating in home more and wanting to cook a premium product for their friends and family.

The Frying/Grilling cuts in Scottish origin lamb have also seen gains via new shoppers, but to a smaller scale.
The stewing category under performs in value, via price decreases. It drives volume sales via increased shoppers. Scottish origin lamb in GB drives Total Lamb in GB. Whilst Total GB Lamb declines in Volume, Scottish origin lamb sees strong volume growth via an increase in shoppers. Scottish origin lamb in Scotland also performs well, seeing both value and volume growth.

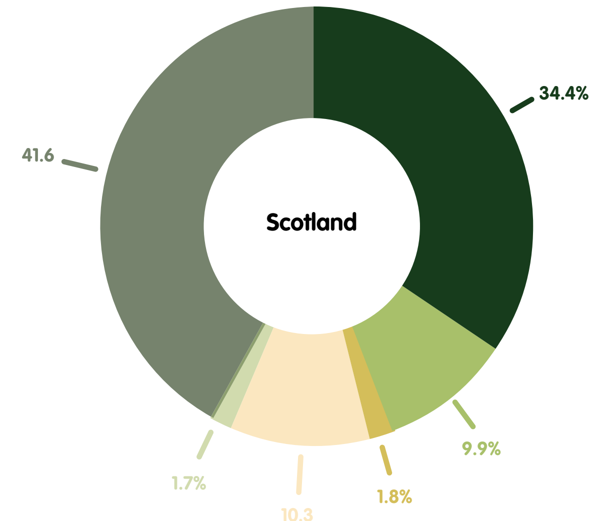
However, in Scottish fresh lamb, we see price increases, but also key gains via an increase in shoppers (particularly from August 08), Scottish origin lamb stands out from 'Total Lamb' as a real performer. Recently, it benefits via attracting new shoppers, hence driving sales, not just annually, but on an accelerated quarterly basis.

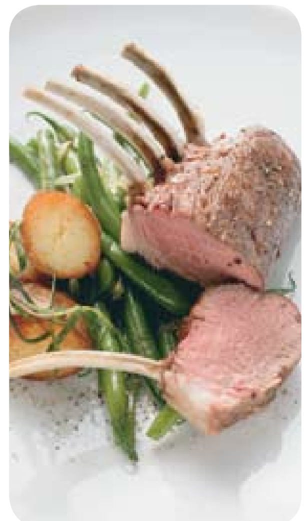
The result has been that the Scottish origin share of the fresh lamb market, in GB, has increased.

Fresh Lamb – % Origin Spend by Region



Scottish consumers continue to prefer to purchase Scottish origin lamb, which has a 41.6% share of retail spend





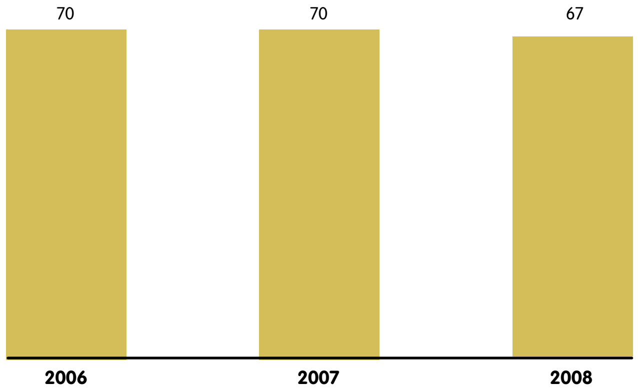
Source: TNS 2008

Recognition of Scotch Lamb Logo in Scotland

% Recognition

Source: IGD 2008

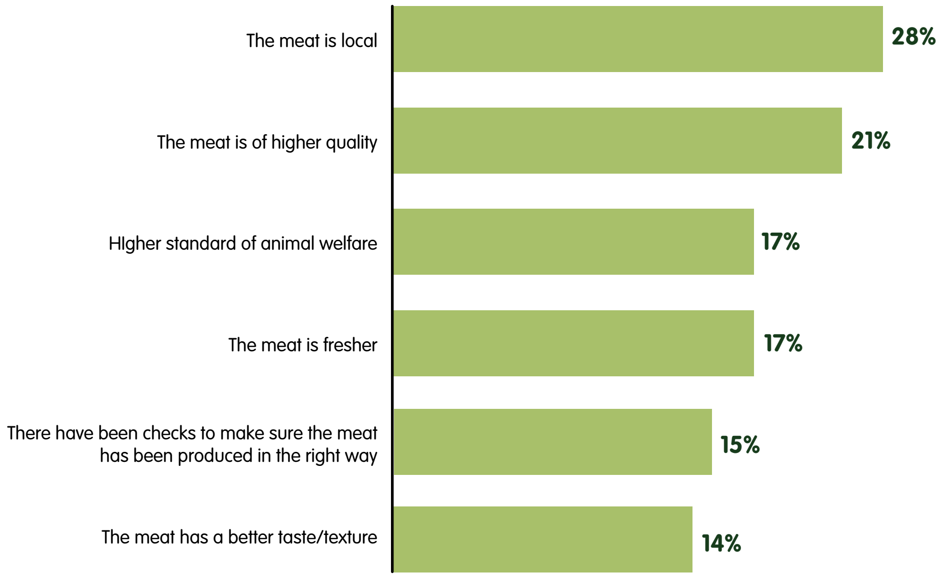
The awareness of the Scotch Lamb logo remains strong in the QMS advertising target market of Scotland



Meaning Behind Scotch Lamb Logo in Scotland

% Those Who Recognise

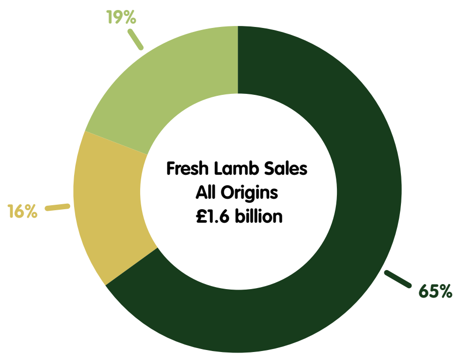
Source: IGD 2008. All adults in Scotland.

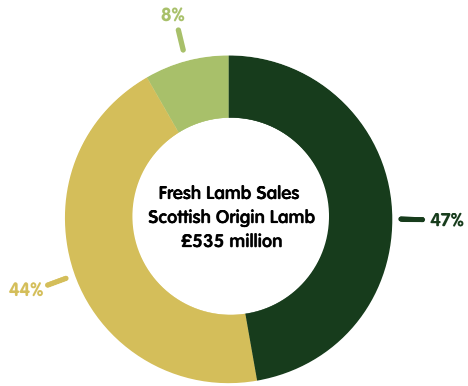


Consumers have an increasing understanding of the Scotch Lamb logo which QMS will continue to highlight in their marketing communications

Fresh Lamb Sales

Great Britain

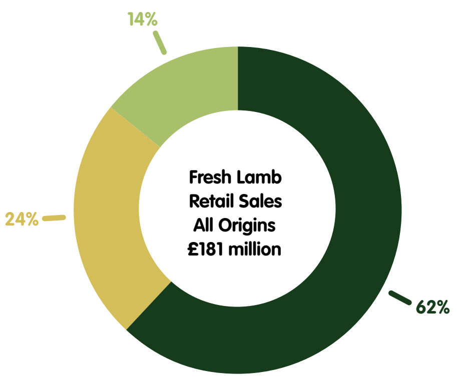


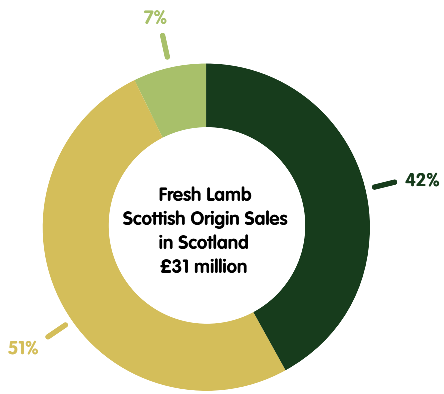


Big 4 Butchers Other

Source: TNS. In the retail sector, the Big 4 is the generic term used for the 4 largest national supermarket chains.

Scotland





Big 4 Butchers Other

Source: TNS. In the retail sector, the Big 4 is the generic term used for the 4 largest national supermarket chains.

Butchers play an important role in retail sales of Scottish Origin Lamb

Fresh Lamb Retail Sales

Great Britain

52 w/e 28th December 2008

	All Origin			Scottish Origin		
	52 w/e 30 Dec 07	52 w/e 28 Dec 08	% Change	52 w/e 30 Dec 07	52 w/e 28 Dec 08	% Change
Expenditure (£000s)	508,652	534,919	5.2	15,179	18,334	20.8
Volume (000s Kgs)	79,446	79,285	-0.2	2.053	2,251	9.6
Penetration %*	59.61	58.90	-1.2	3.44	4.51	30.9
Purchase Frequency	7.03	6.99	-0.6	3.46	2.96	-14.3
AWP† (£ per buyer)	34.48	36.30	5.3	17.81	16.25	-8.7
AWP (Kgs per buyer)	5.39	5.38	-0.1	2.41	2.00	-17.2
Trip Spend (£)	4.91	5.19	5.9	5.15	5.48	6.5
Trip Vol (Kg)	0.77	0.77	0.5	0.70	0.67	-3.3
Retail Price Per Kg	6.40	6.75	5.4	7.39	8.14	10.2

Scotland

52 w/e 28th December 2008

	All Origin			Scottish Origin		
	52 w/e 30 Dec 07	52 w/e 28 Dec 08	% Change	52 w/e 30 Dec 07	52 w/e 28 Dec 08	% Change
Expenditure (£000s)	29,935	30,933	3.3	10,955	12,881	17.6
Volume (000s Kgs)	4,229	4,077	-3.6	1,495	1,616	8.1
Penetration %*	46.16	44.78	-3.0	24.06	25.46	5.8
Purchase Frequency	5.68	5.80	2.1	3.99	4.00	0.1
AWP† (£ per buyer)	26.38	28.57	8.3	18.53	20.93	13.0
AWP (Kgs per buyer)	3.73	3.77	1.1	2.53	2.63	3.9
Trip Spend (£)	4.64	4.92	6.1	4.64	5.24	12.8
Trip Vol (Kg)	0.66	0.65	-1.0	0.63	0.66	.8
Retail Price Per Kg	7.08	7.59	7.2	7.33	7.97	8.7

Scottish Origin Lamb in Scotland drives Total Lamb in Scotland. Key gains are via price, but also more shoppers and increased basket size, driving Scottish Origin Lamb volume growth.

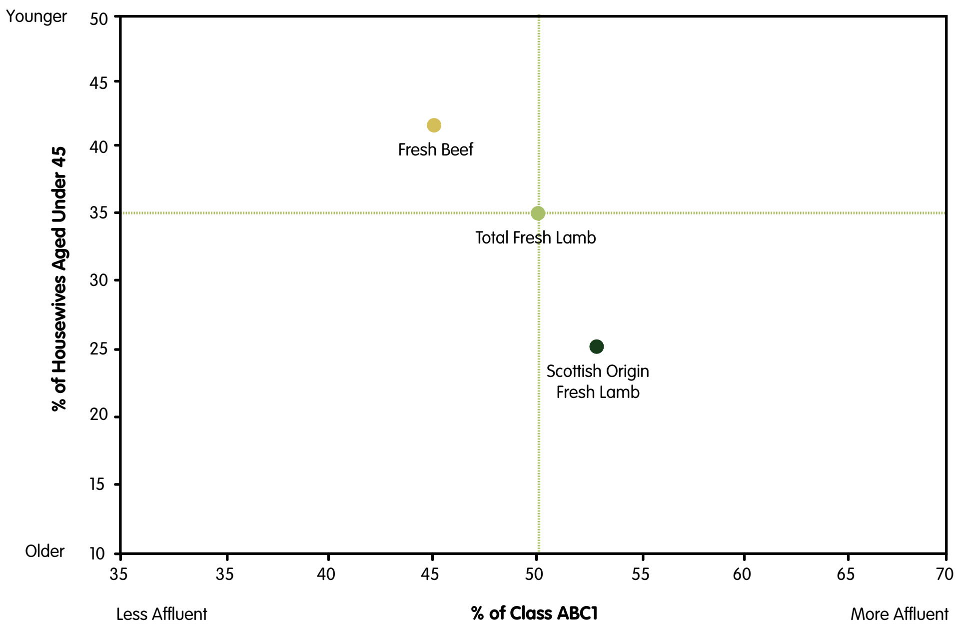
Source: TNS. * Penetration is given as a percentage of a country's households that have bought lamb at least once within a defined period of time.
† AWP: Average Weighted Purchase

Fresh Lamb Market – Demographic Map

Buyer Profile % (Great Britain)

52 w/e 28th December 2008

Source: TNS



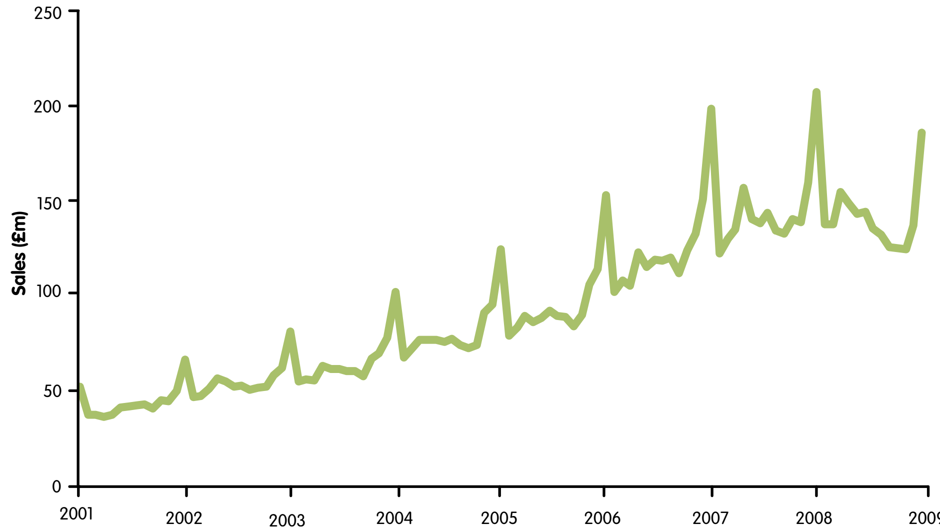
The average Scottish origin fresh lamb shopper is slightly more up market and older than the average fresh lamb shopper.

Over the past year, there has been a slight increase in two to three member households (particularly three member households.

An increase in one child household buyer share (ties in with the increase in three member households); The market buyer composition moves slightly more affluent. D/Es have less of a buyer share.

There is also an increase in younger consumers especially in ages under 28, and 35-44 years. To coincide with this there is an increase in Pre-Family, Young Family, Older Family and Young Post Family. Single Elderly and Older Post Family have less of the buyer composition.

Own Label Premium Sales – The Big 4



Source: TNS. Own Label Premium Sales: Private label products are products that are sold under the retailer's own name.

Customers are still shopping the breadth of categories they have always done. However, it has become noticeable that shoppers are trading down in some categories. There is a greater focus on eating in however quality of product still key for fresh meat.

Retailer Premium own label sales have increased steadily since 2001, this did slow and decline notably during 2008 as consumers disposable income were increasingly put under pressure. In addition to this a number of the retailers ran consumer campaigns highlighting their value ranges. Sales of local food in the UK are likely to withstand the economic slowdown, with most shoppers remaining loyal to local products, according to international grocery experts IGD.

Shoppers' continuing enthusiasm to support local producers and their desire to minimise the environmental impact will lead to sales surpassing £5.7bn per year by 2012 - up from £4.3bn in 2007, IGD's Home or Away report predicts. Overall, IGD reports that two thirds (65%) of consumers now buy locally branded food. 3 in 5 predict the economic slowdown will have no impact on these purchases, 1 in 5 expects to cut back but another 1 in 5 expects to buy more of these products.

Despite the worsening economy and stronger focus on what shoppers are paying for food, IGD's Shopper Trends research tells us that shoppers are not disregarding their values, and in fact, ethical shopping for food has not lost momentum.

Shoppers are looking again at every option: where they buy, what they eat and how they cook. With key economic indicators turning negative across the board, the strength of commitment to better food and better ethics is being tested for the first time.What we're finding is, even in a recession, shoppers are not about to abandon the tastes, habits and beliefs that have been built up over the past decade.

QMS, in collaboration with the SAOS Cultivating Collaboration project, has produced this research to give the Scottish red meat industry supply chain an insight into future market trends. Members of the supply chain will then be better prepared to deal with any challenges and to take advantage of any market opportunities.

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