Quarterly Insight Report
Winter 2019
Welcome to the Winter edition of our Quarterly Insight Report

Inside our Quarterly Insight Report we take a look at a range of topics we think you will find interesting and useful. We start with an introduction to our brand new Food Forums. They are being held quarterly across six regions throughout England. The Forums are designed to collaborate on our mutual objectives and challenges, focussing on food procurement. We then look at how you can tackle rising food costs with some examples from the high street.

With 28% of consumers cutting back on their meat consumption over the last six years, we take an in depth look at the meat category, as well as looking at trends such as veganism. Elsewhere, we look at consumer spending, the rise of premiumisation and the top flavour and food predictions for 2019.

We have an exciting few months ahead with the launch of six frameworks. First up is our new ‘Cold Beverages, Confectionery and Snacks’ framework launching in May which will include healthy, CQUIN compliant ranges. We are also working on a new approach for the distribution of all chilled, frozen and ambient food products to trusts. The ambition is to decouple the procurement of products from the logistics. We will do this by appointing suppliers whose products will be distributed through a single national multi temperature provider. Further details will be shared in due course.

I hope you find this report interesting and useful. Keep an eye out for the Spring edition coming later this year.
Buy Price = Sell Price

NHS Supply Chain is implementing a new funding model. Buy Price = Sell Price (BP=SP) is due to launch on Monday, 1 April and will deliver pricing transparency on all transacted products. We give you the lowdown on what it means for you and your trust ahead of go live:

Q: How does it work?
A: Buy Price = Sell Price is an NHS Supply Chain initiative that is due to launch from 1 April 2019. It’s a model that will see all NHS Trusts in England move to a single national price on the core band. The way it works is simple. The price NHS Supply Chain pays for a product will be the same price a trust will pay. The gross margin will be removed and NHS Supply Chain will not retain any surplus or make any profit. There will be a single national price for all products on the core band, delivering an average saving of 14% on transacted products.

Q: How is the new model funded?
A: Previously, the NHS Supply Chain model was funded by gross margin which was applied to the cost of a product. With the removal of gross margin, the new model will be funded centrally. This new approach will involve funding being taken from each trust’s annual budget at the beginning of the year. With this new trust funded resource available to you, increasing your trust’s use and compliance of NHS Supply Chain will help ensure maximum return on investment.

Q: What do I need to do to take advantage of the savings?
A: Buy Price = Sell Price is expected to drive an increase in demand through NHS Supply Chain, so an important part of our preparations is around forecasting what demand will look like to ensure availability of stock. As such, NHS Supply Chain have been communicating with all trusts that fall within the scope of this change since December 2018. Estimated prices for April 2019 have been issued to allow you to undertake pricing comparisons and determine if you wish to transition your spend. The date for submitting new demand requests has been extended to Friday, 8 February 2019. Any requests after this date may not be available from the 1 April 2019. NHS Supply Chain has reminded trust procurement functions to engage with all their internal stakeholders, like Catering, Facilities and Estates, to ensure that all departmental demand has been included in the trust demand capture form returns.
**Q: What are the benefits?**
A: Trusts will see significant reductions in pricing which we anticipate will increase demand on our services. The model is expected to deliver an average saving of up to 14% on NHS Supply Chain transacted products.

**Q: How will the price of different ordering quantities be taken into consideration?**
A: NHS Supply Chain will review the purchase history of each product and establish the most commonly ordered quantity. This will be known as the product’s core band and will be aligned to the single national price. Flexibility in ordering quantities is really important, so a range of options will be available and each option will be aligned to a price band. Smaller quantities (i.e. singles) will be priced slightly higher than the core band and larger quantities (i.e. pallet) will be cheaper. Ordering in larger quantities will result in the highest cost savings.

**Q: How do I find more information or ask for support?**
A: To assist in completing the demand capture form NHS Supply Chain have created a step by step webinar and an FAQ document.

Your NHS Supply Chain: Food Account Manager will be able to give you more information and help you with the price comparisons on food products, identifying the saving that you could make. Account Manager contact details are [here](#).

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**Product Quantities**

Each product listed with NHS Supply Chain is available in a range of quantities e.g. as a single item, a box, a case, a layer or a pallet. NHS Supply Chain will review the purchase history of each product and establish the most commonly ordered quantity. This will be known as the product’s core band and will be aligned to the single national price. Flexibility in quantities is really important so a range of options will be available and each option will be aligned to a price band. Smaller quantities (i.e. singles) will be priced slightly higher than the core band and larger quantities (i.e. pallet) will be cheaper. Ordering in larger quantities will result in the highest cost savings.
Introducing Food Forums

We’ve launched a series of new Food Forums to boost engagement with NHS catering professionals. Our Food Forums take place across six regions throughout England and provide NHS catering professionals with the opportunity to engage directly with representatives from our procurement and account management teams.

Our NHS Supply Chain: Food, Account Director, Rona Miranda explains: “We want to work more collaboratively with NHS trusts than ever before and to help achieve this, we are launching Food Forums across England. These new forums will provide NHS catering professionals with regular opportunities to meet, share their ideas, build their networks, address mutual challenges and ultimately help leverage the buying power of the NHS”.

Where the Food Forums take place
Food Forums will be held on a quarterly basis and split across six regions throughout England:

- **North East**
  - Next date: Mon, 4 February in Newcastle

- **North / North West**
  - Next date: Fri, 22 February in Leeds

- **Midlands**
  - Next date: Mon, 15 February in Birmingham

- **South West**
  - Next date: Tues, 11 June in Bristol

- **London**
  - Next date: Fri, 15 February in Chertsey, Surrey

- **South**
  - Next date: Tues, 12 February in Salisbury
Why NHS catering professionals should attend
Food Forums are free to attend and all NHS catering and procurement colleagues are invited. The forums are open and collaborative with food procurement being the main discussion point, including topics such as:

- Delivering food savings
- Product optimisation
- New product awareness
- Innovation and food trends
- Combined purchasing opportunities
- Increasing sales

Next steps
Details of your next Food Forum will be sent to you by your Account Manager from NHS Supply Chain: Food. If you’d like to receive further information, simply email food@supplychain.nhs.uk or speak to your NHS Supply Chain: Food, Account Manager.

Events Calendar
Keep an eye on the NHS Supply Chain Events Calendar for details of all upcoming Food Forums. Follow the link here:
Look ahead to IDDSI

The International Dysphagia Diet Standardisation Initiative, or IDDSI for short, is a global initiative being implemented by the IDDSI Committee to improve the lives of people living with dysphagia, the medical term for swallowing difficulties. Dysphagia is estimated to affect 8% of the population which is approximately 5.2 million people in the UK.

IDDSI aims to reduce the risk of illness and serious untoward incidents that can occur because of food textures and drink consistencies. However, IDDSI is not just for those suffering from dysphagia. It may be used for those who simply need a modified diet in view of other clinical needs.

IDDSI is being adopted from April 2019

IDDSI is due to be adopted across all healthcare manufacturers and locations from April 2019. It's a grading scale consisting of eight levels (0 through to 7) and provides terminology and definitions for texture modified foods and thickened liquids. See right for a breakdown of the initiative:

Implementation

The UKs adoption of IDDSI is well underway, Manufacturers are aware of IDDSI and are preparing for full compliance by April 2019. We are currently mid-way through the adoption stage; you may have seen dual labelling appearing on products and we expect this to continue.

Source: The International Dysphagia Diet Standardisation Initiative 2016 @ http://iddsi.org/framework/.
How suppliers are becoming compliant
Suppliers have all undertaken testing of products and recipes now and are beginning to provide some IDDSI compliant products. Here’s a breakdown of what you can expect to see over the coming months:

Pre April 2019
Simply Puree is the only NHS Supply Chain supplier currently dual labelling* all products. All of our other suppliers (Apetito, Maple Fine Foods and Medina Foods) are rolling out dual labelling one level at a time over the next few months.

*Dual labelling will consist of the new IDDSI labelling alongside the former descriptors. Timescales are subject to change and may depend on stock levels.

Post April 2019
In April 2019, all suppliers will become fully compliant. The majority of suppliers will move to a single IDDSI compliant label, however Apetito plan to continue dual labelling until April 2020.

Easy to Chew
IDDSI recently announced that there will be a new subcategory of Level 7 Regular – this will be called ‘Easy to Chew’. More information including detailed descriptors will be published on www.iddsi.org when available and we will continue to update you over the coming months.

Our upcoming ready prepared meals framework launch
We are currently in the process of running a tender for ready prepared meals which is due to launch in April 2019. We will identify the suppliers and ensure they are able to provide the best possible price across a range of products to meet all patient needs. Suppliers will be required to meet IDDSI guidelines, so when purchasing through NHS Supply Chain you can have confidence that all suppliers will have demonstrated their compliance.

If you have specific needs to be considered for ready prepared meals (i.e. ward training, tasting, testing), please speak to your Account Manager: https://www.supplychain.nhs.uk/contact/account-managers/.

Being compliant
By April 2019, all manufacturers and healthcare locations - including NHS Trusts - must be fully IDDSI compliant. This means all texture modified meals must be labelled with one or more of the IDDSI descriptors; number, name and colour. We expect all suppliers to be using at least two descriptors with the number being a top priority, followed by the name and then the colour.

If you have any further questions regarding IDDSI, please contact your ready prepared meals supplier or our registered NHS Supply Chain: Food Dietician, Luke Davies: luke.davies2@supplychain.nhs.uk.
The rising cost of ingredients

Rising costs of ingredients will be one of the biggest challenges for catering this year. The devaluation of the pound has made ingredients more expensive while staff costs have risen, partly due to increases in the minimum wage.

Some foodservice businesses have seen 11% food inflation across the board and even higher figures for produce impacted by the bad winter and extremely hot summer. And of course, prices could increase even further with a 'no deal' EU Exit.

The key categories to keep an eye on:

Dairy
The cost of dairy items could rise by around 8%, according to BRC Global Standards. A study by London School of Economics, commissioned by Arla Foods, said non-tariff barriers to trade such as costly administrative rules of origin and new customers declarations, alongside restricted access to labour will mean dairy products could become restricted. It's worth noting approximately 70,000 tonnes of the Cheddar we eat in the UK comes from the Republic of Ireland.

Fish
Fish is likely to see an 18% rise due to tariffs imposed on fish imports.

Meat
The price of beef could rise by anywhere between 5% and 29%, according to the BRC, and poultry prices could rise by as much as 25% according to the British Poultry Council. The hard winter and hot summer has also seen a reduction in the quantity of winter feedstocks, making it more expensive for farmers to feed livestock, particularly if there is a long harsh winter.

Fruit and vegetables
A variety of reports suggest fruit and vegetable prices could rise by as much as 4%. Figures suggest tomato prices could be anywhere between 9% and 18% whilst broccoli has been placed at 10% by the UKTPO.

Bread, cereals and grains
Bread is in less danger but cereals could rise by 4%. Britain still produces most of its own wheat.
The increasing cost of ingredients has been cited as the retail number one catering challenge this year. Operators are getting more into creative menu engineering to keep the integrity of their dishes, whilst still delivering an experience that keeps customers coming back for more. Finding the right way to deal with rising costs can be difficult, but with the right menu management it is possible to add margin building dishes, and engineer existing dishes with less risk to being caught out by costs.

Many high street brands are tweaking their menus very slightly to mitigate the price pressures on key menu items. For instance, Las Iguanas removed sweet potato mash from core dishes and offered it as a bolt on. Hungry Horse have used smaller portions of key ingredients, whilst Camino switched baby aubergine to a standard aubergine - a cheaper ingredient.

Some operators are simplifying their upselling options and charging an average price rather than applying individual costs.

Other operators like Miller & Carter are using clever price positioning by moving the prices from a separate individual column and putting them next to menu descriptions. This encourages customers to choose a dish based on products rather than immediately looking at prices.

In 2019 operators are set to use more descriptors to promote higher margin items. According to research by Cornell University*, people choose descriptive menu items 27% more than normally labelled menu choices. It’s not just the ingredients that are being featured but evocative text and storytelling is increasingly playing a part on menus. This adds more emotion into the decision-making process which makes the price less of a barrier to consumers.

*Cornell University study 2018
Shining the light on meat and poultry

All the news around the meat category seems focused on lower consumption by consumers.

We know that:

- 28% of consumers have cut back on their meat consumption over the last six years
- 12% of British consumers now claim to follow a meat-free diet
- Campaigns such as Veganuary have brought vegetarianism and veganism fully into the mainstream

There is a real challenge to the meat category, but particularly red meat (pork, beef, veal and lamb) which is being challenged, with several trends at play.

Some trends are associated with health reasons whilst others are around concerns on animal welfare and/or the climate. But importantly, consumers are generally becoming more aware of the ethics of meat production and its transparency.

Traceability, food safety and animal welfare have become increasingly important and all food producers are expected to deliver on these to create consumer confidence. And therein lies the opportunity for meat.

The trend towards more natural, nutritious and real food is growing, as is the acceptance of the natural fat content in meat as providing both tenderness and taste. There are also good opportunities for creating more differentiated animal welfare concepts for increasingly aware consumers.
Charlie Hudson, Head of Procurement, NHS Supply Chain: Food shares more insights around how we expect the meat category to develop in 2019.

What do you consider to be the main challenges in the category in 2019?
EU Exit uncertainties aside, a trend and potential challenge is the continued consolidation of the supply market at the various stages of the meat supply chain e.g. Kepak acquisition of 2 Sisters red meat plant and the demise of a number of catering butchers. It’s looking more likely that over time, there could be a shift to a smaller number of large, and more focused, players in the market with medium sized operators being bought up which may in turn reduce buyer choice.

Labour availability and cost remain a challenge across many food categories, but the challenge of resource availability in the meat supply chain is beginning to manifest itself more acutely. Did you know the average age of a butcher is 56? With an ageing workforce there are succession challenges with many jobs requiring extensive training and a very specific skill set. Unless there is a sudden shift in promoting butchery as a career choice, a skills shortage could be round the corner as more people retire.

Which meat varieties are increasing and decreasing?
The industry is seeing the most growth across the poultry category with both chicken and turkey doing well. Both species are more affordable protein options whilst also being perceived by consumers as being healthier choices. They also have a pretty universal appeal and make a good option on any menu.

Where will innovation come from to support the category?
Innovation in the category will come as a response to changing consumer habits. People are choosing to eat less meat these days, and when they do eat meat they are putting an increased emphasis on choosing products with provenance, animal welfare and sustainability credentials. So whilst we may see a reduction in meat consumption, this won’t directly correlate to a value decline, with some consumers investing more in their menu choices. To this end, suppliers will need to innovate their approach to providing customer solutions. Suppliers will need to get better at relaying their supply chain stories and bringing to life the great things that are unique about their products and their supply chains.

What is your view on how meat industry bodies and accreditations such as Red Tractor communicate their message?
Industry bodies and accreditations like Red Tractor have an important role to play and are great for the industry. They help drive forward supply chains by educating consumers, who in turn demand suppliers to raise their game. Importantly, it’s all happening at a pace which feels both sustainable and achievable for farmers and growers.
Bringing customers back for more

The catering challenge of 2019
The percentage of consumers who eat out weekly has remained relatively static at around 47% since 2015 and for those that drink, that too is level at 32%. The number of food outlets is also static, despite the new and emerging brands on the high street. Essentially for every new opening there is a closure.

Against these behaviours, food volume is down, but value is up. Consumers are choosing to ‘go premium’ and, for caterers, creating more premium experiences is key to keeping consumers coming back for more.

As the graphic below shows, the drinks category is a great example of consumer’s shifting to more premium options. What’s more, almost half of consumers say they are looking to trade up their drink purchases when out of home – up 4% on a year ago.

Similarly, with their food choices, consumers are becoming more discerning when they eat out. Again, nearly 50% of consumers class themselves as ‘foodies’ and over 80% state there is a strong link between the quality of the food they are served and their overall level of satisfaction. And so, for operators, the reverse also becomes true. If there is a consumer belief that quality is being compromised then perceptions of value for money become negative – and that impacts footfall and consumer loyalty.

Some of the UK’s most popular restaurant brands such as Nando’s and Wagamama are successful because they are able to generate high levels of repeat business and command real loyalty from their customers. It should be no surprise then that both brands score highly for both food quality and value for money.

We’re following the trends
Our new cold beverages, confectionery and snacks framework due to launch in May is built around consumer and market insight, including the growing demand for premium drinks. We have added a range of flavoured still and sparking water drinks such as Robinsons Refresh’d and Aqua Libra, as well as a range of healthy vitamin enhanced water drinks such as Vit Hit and Sobe Vitamin Water. Stay tuned for further details soon.
Sustainability focus

Making sustainable choices everyday
When you study all the issues surrounding the foodservice industry it’s obvious that sustainability is more than a passing trend. We’re seeing more and more partners in the industry turning towards efficiency in how they source, create, and deliver food – and consumers are demanding it.

Healthier eating
Of course, restaurants have a critical role to play in preparing food that is nutritious and wholesome, and more and more operators, in every sector, feel the responsibility to help their customers make the right choices about the foods they eat. While some restaurants are naturally healthier than others, there are always ways for operators to offer better menu options that prioritise fresh foods.

Cleaner Supply Chains
According to a recent food safety report, consumers are becoming increasingly aware of food safety issues and are interested in seeing more transparency from the restaurants they frequently visit.

Specifically, 74% of consumers believe this is something that restaurants should be responsible for providing. Operators can respond to this by investing in clean supply chains. While still a relatively new idea, it’s catching on with a number of leading brands.

Food waste
The concept of reduce, reuse, and recycle is great, but it doesn't always say a lot in regard to the specifics. Each year roughly 1,250 calories per person, per day, are wasted and operators play a large role here.

Instead of just tossing food scraps into the trash, operators are becoming more creative. From donating food to local non-profits, to creating unique food dishes with food scraps that aren’t used, there are numerous ways to reduce waste with very little effort.

A company called Winnow was set up exclusively to tackle the problem of food waste worldwide. Kitchens using Winnow technology know exactly what they’re putting in their bins and all of the info is recorded and can be analysed over time.

Watch out for ‘Stop Food Waste Day’ on Wednesday, 24 April 2019, an annual event which aims to raise awareness of food wastage and encourages steps to reduce it.

www.stopfoodwasteday.com
At the beginning of every year there are many predictions for what’s new and hot on menus. With the uncertainties in play around 2019, exploring emerging tastes and flavours is an important way to maintain a competitive edge. Here’s a roundup of the latest thinking.

In 2019 consumers want the opportunity to:

• Treat themselves
• Go premium
• Add extras
• Eat at any time of day or night

Nootropics
Nootropics refers to foods and supplements that make your brain happy, otherwise known as brain food. Health continues to be a top concern for consumers, with heart and gut health particular points of emphasis. It was only a matter of time before consumer focus began to shift and with an important focus on mental wellbeing, 2019 is the year of cognitive health. Although nootropic supplements are not likely to make their way onto mainstream menus, consumers will become more aware of brain-healthy ingredients and seek them out on menus.

For most caterers, refreshing menus with new flavours and ideas is important, and many are now looking to various ethnic cuisines to take advantage of a number of key trends in one hit.

2019 and beyond
Experts expect these items and flavours to boom throughout 2019…

• King oyster mushrooms
• Sorghum
• Matcha
• Savoury yoghurts
• Honey or bee pollen
• Artisanal butters
• Sustainable seafood
• Bitter stone fruit
• Oat milk
• Floral cold water infusions
• Vegan ice cream
• Asian pastries/sandwiches
• Khachapuri
• Jewish food
• And foods from Azerbaijan and Kazakhstan
Our sourcing calendar

Food to go* anticipated implementation in July 2020

Jan 19
Feb 19
Mar 19
Apr 19
May 19
Jun 19

Key:
- Sourcing commences
- Anticipated implementation

Cold beverages, confectionery and snacks

Ready prepared meals and distribution

Hot beverage and vending consumables

Fresh, frozen and ambient foods

* Anticipated implementation in July 2020

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