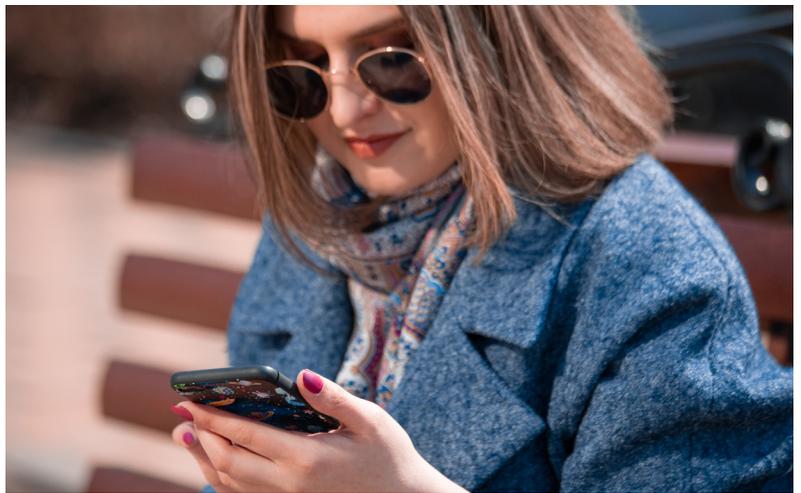




The Global Language of Business

# Buying British in 2019

Businesses booming in Brexit Britain



# UK retail market dynamics

**£21.3 billion**  
generated by marketplaces



**1.4 million**  
UK households bought alcohol-free beer

**25%**  
SME sales growth predicted

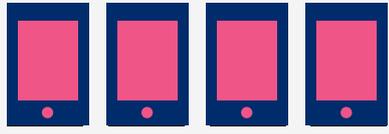


**£358 billion**  
retail sales

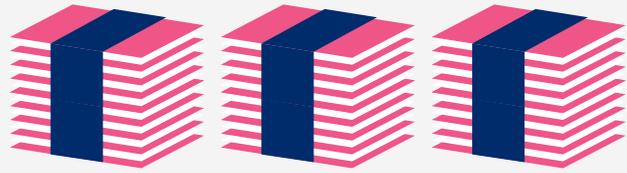
**40%**  
increase in online impressions with  
**GTINs**



**17.6%**  
of UK transactions are made online



**£14 billion**  
Barclays lending fund for SMEs



**45%**  
of UK households own a pet



**£7 bn**  
Baby and toddler market worth



British exports valued at  
**£639 billion**





## Introduction

If a week is a long time in politics, then 24 months is practically an eternity. Two years on from the last time we looked at what buying British meant, Brexit chaos has taken hold and shows no sign of letting up.

Luckily, panic has not gripped the trading public, and it's been business as usual not just for large organisations, but also for the entrepreneurial spirits who represent our next generation of industry.

This resilience is evidenced by our membership numbers – up to an all-time high of 39,000 after 13 per cent net growth in 2018 – showing that new challenger brands can still make their mark in tumultuous times.

Reports of the demise of the high street are greatly exaggerated too, with the latest figures from the Office of National Statistics (ONS) showing that online's share of total retail sales has not yet hit 20 per cent.

Clearly, internet shopping is only heading in one direction. Many SMEs successfully use online marketplaces as a window on the world – but traditional stores and town centres are also continually striving to stay relevant by using local producers and pop-up shops.

Let us not forget either, that retail remains the largest single sector employer in the UK, accounting for a tenth of the total workforce, with annual sales exceeding [£358bn](#).

Brexit may be damaging our reputation on the global stage, but it certainly doesn't seem to be impacting the clamour for our goods.

Our food and drink industry goes from strength to strength and is underpinned by a steady stream of smaller businesses looking to cater for Britons' ever diversifying tastes and ways of living.

[The Food and Drink Federation](#) says 97 per cent of its 7,000+ businesses are SMEs. This is reflected by 10 per cent of our new joiners coming from the food and grocery sphere, as start-ups attempt to carve a niche to satisfy the hungry hordes.

Traditionally, key product categories such as apparel and health and beauty have remained in keen demand, closely followed by other areas that have blossomed in recent years, such as baby and toddler products and arts and crafts supplies.

The European Union remains the biggest market, and relationships and processes there may face tough times as Brexit negotiations continue, but the top 10 fastest-growing markets are outside of Europe, with [Nigeria and India](#) leading the charge.

Despite prevailing gloom, there are many reasons to be cheerful. Our politicians may have fallen out of favour, but it doesn't look like buying British will ever go out of fashion.

**Gary Lynch FCILT**

**CEO, GS1 UK**



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GS1 UK's membership reaches 39,000 with a record-breaking increase of 13 per cent, affirming that the retail market is healthy and growing.

## How buying British has changed since 2017

In the findings of our 2017 report, heritage, authenticity and provenance sat at the forefront of the consumer consciousness.

Fast-forward to 2019, and it is encouraging to see that consumer demand for businesses championing genuine, niche products is still prevalent.

Across a variety of retail sectors, spanning from clothing to food and grocery, the British public were increasingly prioritising more unique, local offerings whose provenance was easier to trace.

The past year has seen SMEs gaining in consumer popularity as their size allows them to more readily meet the criteria of being local and authentic.

Trade is flourishing for these companies and an average sales growth of 25 per cent is predicted for the next financial year across all SME sectors in the UK, according to Skipton Business Finance.

The CYBG index also shows SME business borrowing and hiring at an 18-month high, even though business morale and confidence is low, bringing to light how our concerns over trade robustness in the UK are actually at odds with the reality.

Overall, the number of emerging small businesses has still been buoyant in spite of the political and economic backdrop.

With numbers rising since 2017, SMEs currently represent a significant cohort of GS1 UK's members (more on that later).

Therefore, it makes sense that 2018 saw GS1 UK's membership reach 39,000 with a record-breaking increase of 13 per cent, affirming that the retail market is healthy and growing, with a fertile climate for new and young companies.

This is further reflected in the rising sales numbers of 2018 – the ONS credits strong summer activity as a key driving factor of this increase, with figures climbing by as much as 2.3 per cent in the three months up to July.

Consumers' increased engagement with smaller companies has been supported and facilitated by the involvement of large corporates.

Banks have set up schemes to offer specific financial support: Barclays recently announced that it was establishing a £14bn lending fund for businesses with a turnover of up to £25m.

Initiatives such as these are needed to ensure continued SME strength in the face of political uncertainty and the complications caused by Brexit.

One sector that continues to stand fast is the alcohol and beverages industry, with the production of craft drinks skyrocketing over the last few years. This area is constantly providing fertile ground for new joiners and start-up companies with innovative products.

While craft gin has dominated the headlines, other types of alcohol are quickly garnering consumer attention: rum is tipped to be the next big

spirit boom, and GS1 UK has seen a sharp rise in the number of new joiners distilling this product.

Our data also shows craft beer continuing its ascent: from 2015 to 2018, the number of brewery companies adopting GS1 Global Trade Item Numbers (GTINs) and barcodes more than doubled to 51 per cent.

Another category exhibiting significant growth in 2018 was the arts and crafts sector, aligning with the growing trend towards using arts and crafts to improve mental wellbeing. Colouring is no longer just for children.

Recognised as a sector with significant growth potential, the [Crafts Council](#) have stated that it currently contributes £3.4bn to the UK economy.

The number of members in this space adopting GS1 GTINs and barcodes has more than tripled between 2017 and 2018, with many of these companies trading on the specialist craft marketplace, Etsy.

25%

predicted SME sales growth

18<sup>-month high</sup>

SME borrowing and hiring

13%

increase in GS1 UK membership

51%

increase in brewery companies adopting GS1 GTINs



**Crafting a new business reality**

The arts and crafts sector exhibited prodigious growth in 2018, with companies like GS1 UK member, Peace & Blessings, continuing to introduce innovative products into a growing market.



**Baby steps and a giant leap**

Products for babies and toddlers, like those created by GS1 UK member, BabyHub, now command a £7bn slice of the British market.

# The rise of challenger brands

GS1 UK members vary from one-man bands all the way through to huge multinationals, with almost a third of our members turning over less than £80,000 annually, while more than a hundred have revenues in excess of £1bn.

What has been particularly noticeable in the past couple of years is the shift towards the smaller end of the scale, as Britain's entrepreneurial spirit undergoes something of a renaissance.

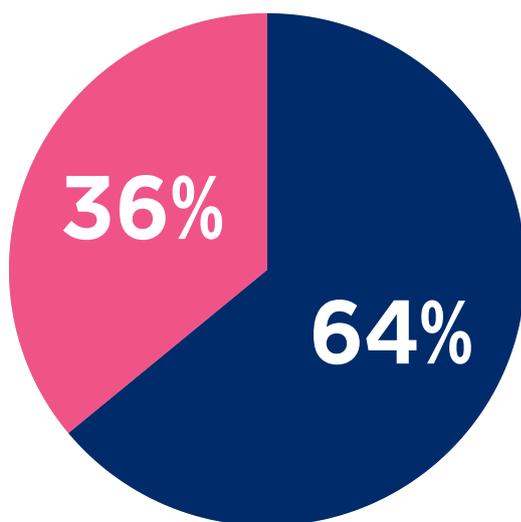
Last time we published our Buying British report, SMEs with a turnover of less than £500,000 represented 58 per cent of our historic membership roster, with 78 per cent of new joiners fitting into that bracket.

Two years on, 64 per cent of our overall community is accounted for by these smaller firms, with 84 per cent of those joining in 2018 turning over less than half a million pounds.

This would suggest that the rise of the small British firms we observed two years ago continues apace. That is an even more impressive feat when you consider the uncertain political and economic backdrop against which this trend has flourished.

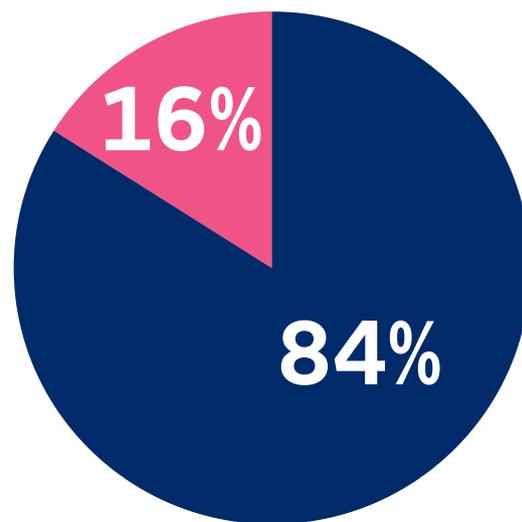
This all reinforces the often-repeated mantra: if the idea is sound and the product is right, there is never a bad time to start a business.

**Overall membership**



■ Turnover less than £500,000  
■ Turnover greater than £500,000

**2018 joiners**



■ Turnover less than £500,000  
■ Turnover greater than £500,000

## Sector focus

The two years since our last deep dive into what buying British means have seen the emergence of a number of new trends within the retail industry.

The sectors that are thriving the most are those prioritising comfort in the family household, with baby and toddler products and the pets market forerunners in the consumer popularity stakes.

The amount being spent on domestic animals in the UK is growing rapidly. The pet market in this country is already one of the largest in Europe, owing to the fact that roughly **45 per cent of households claim to have a pet**.

This represents a great opportunity for new SMEs entering this territory, something companies have evidently cottoned onto when observing the soaring sales – the estimated value of trade in pet products and services is expected to reach £2.1bn by 2023, according to [Mintel](#).

Similarly, the baby and toddler market continues to expand with its net value currently estimated at **£7.3bn** per annum.

£7bn

estimated net value of baby/toddler markets

3.5m

people identify as vegan

23%

increase in rum businesses adopting GS1 GTINs



This shift in both our spending and eating habits extends beyond veganism, which is merely a subset of the healthy eating movement.”

In keeping with this heightened awareness of personal wellness, consumers are also giving more thought to their food consumption, both in regard to healthy eating but also in how these choices are impacting the planet and wider society.

Veganism and vegan products are gaining popularity at an unprecedented rate in the UK: in the space of a decade, the number of people identifying as vegans has increased to **3.5m**, roughly one in every twenty people.

This shift in both our spending and eating habits extends beyond veganism, which is merely a subset of the healthy eating movement.

The success of health food stores like Whole Foods and Holland & Barrett provides a competitive and well-placed route to market for SMEs targeting this space, and reflects the growing demand for healthy and local alternatives.

Despite the shift towards healthier food, Britain's love affair with alcohol also endures, with booze remaining the UK's leading FMCG category in 2018, worth a cool **£16bn**.

As previously explored, new craft spirits and beer are taking the spotlight off craft gin while following in its footsteps. GS1 UK saw a 23 per cent increase in rum businesses becoming members in 2018, and, in the wider retail market, sales of standard rum have **increased by 7.3 per cent**.

In keeping with the British trend towards growing prioritisation of a healthier lifestyle, another sector now experiencing rising interest is low or non-alcoholic beverages.

According to [Kantar](#), more than 1.4m UK households bought a no or low-alcohol beer in the last year, exhibiting a 57 per cent increase from 2015 levels.

This increased demand is directly echoed in GS1 UK's membership data, which also shows a 57 per cent uptick in the number of members offering non-alcoholic drinks and alternatives.

Some of the largest drinks retailers in the UK have started to recognise this demand, launching their own low or alcohol-free products, although a lot of the trade and interest has been sparked by SMEs producing homespun drinks such as kombucha.



**Vegan living - more than just the latest -ism**

The number of people identifying as vegans in Great Britain has increased to 3.5m in recent years, with vegan products like those made by GS1 UK member, Raw Bake Station, soaring in popularity.

# GS1 UK membership by industry

Businesses of various different sizes from more than 25 industries make up the 39,000-strong GS1 UK community, with the largest sectors being food and grocery, apparel, home and garden, and health, beauty and cosmetics.

New joiners in 2018 largely came from these sectors, with a slight change in the ordering – health, beauty and cosmetics was the most popular category (16 per cent), followed by apparel (15 per cent) and food and grocery (10 per cent).

For those in the former category, the trail blazed by the likes of Jo Malone is one many will be attempting to emulate. The brand grew from a husband-and-wife team to a global luxury brand, all the while retaining the importance of its Britishness and personal touch – the company still makes all of its candles entirely by hand in the English countryside.

In addition to these established verticals, some smaller segments saw an explosion in growth in 2018. Companies making goods for children and babies registered a 32 per cent increase in 2018, while arts and crafts and animals and pet care were also among those swelling in popularity.

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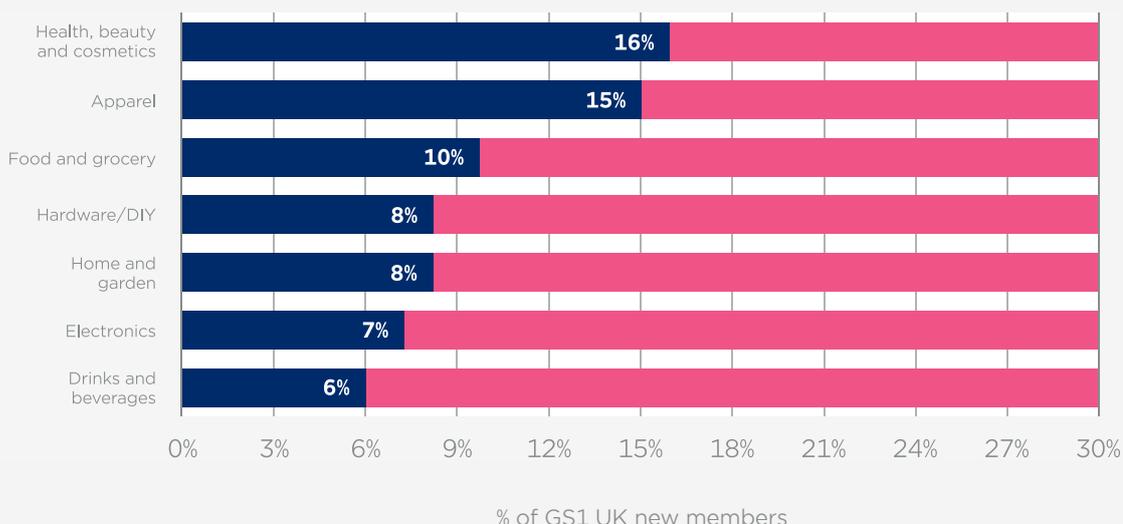
industries make up the GS1 UK community

39k

GS1 UK members to date

32%

increase in companies making goods for children and babies



**A graph to show the percentage of 2018 new joiners by category**

New joiners in 2018 largely came from these sectors, with a slight change in the ordering from previous studies – health, beauty and cosmetics was the most popular category (16 per cent), followed by apparel (15 per cent) and food and grocery (10 per cent).

# Where British products come from

Two-thirds of us would like to buy more British produce, driven by a range of environmental, economic and ethical considerations. It is as much about being mindful about what we are putting into our bodies and out into the biosphere as it is about supporting local businesses.

Although price is the dominant factor for consumers making purchasing decisions, provenance is becoming increasingly important, and consumers aren't always satisfied with a generic country-of-origin descriptor – they want to know exactly what part of the UK their scallops or scarf came from.

Our 2018-19 trend research identified traceability as one of the top trends in a world with ever stricter regulation.

Traceability isn't about control freakery or fussy eaters either: the [World Health Organisation](#) estimates that one in ten people get sick every year from eating contaminated food, so it is important to have the right measures in place to detect and remove potentially dangerous products from the market.

Blockchain technology is playing a part in supporting greater traceability, creating a central ledger that allows participants to verify and audit transactions independently – a relatively inexpensive game changer in the absence of a centralised system.

GS1's [Digital Link](#) solution aims to enhance the shopping experience for consumers while also allowing brand owners and retailers to strengthen brand loyalty, increase revenue and improve supply chain traceability and efficiencies.

It web-enables barcodes, allowing them to link through to a wealth of product data, including information around expiration, ingredients, provenance and any recalls.

It's not just shopping online that is being transformed by technology. In London, convenience store chain, Costcutter, have started trialling [biometric payments](#), and Sainsbury's recently opened their first till-free supermarket in central London, which allows shoppers to pay by smartphone without using a checkout.



## GS1's Digital Link

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# Getting products to market

When discussing the efficiency of the retail supply chain, it is hard to ignore the potential impacts of Brexit.

At the moment, it is unclear the exact route the UK will take and the repercussions this may cause. However, many have speculated that some of the options on the table could either slow or reduce the rate of our trading with the EU.

According to analyst, Retail Economics, a no-deal “hard Brexit” could cost the UK retail industry as much as **£7.8bn in tariffs**. Similarly, after Brexit, **14 per cent duties** may be applied on goods imported from the European Union to the UK.

This result would add extra costs into the supply chain and could seriously damage the SMEs that depend on either materials or custom from the EU.

However, as previously outlined in our report [Brits Abroad: UK Food & Drink Exports in 2018](#), a lot of retailers remained optimistic in their export expectations.

When questioned about how they expected their exports to the EU to perform over the next five years, less than a third of people in the food and drinks industry were concerned there may be a decrease in exports - 44 per cent believed they would increase, and 26 per cent thought they would remain the same.

Despite this positive outlook, there is still a gap around SMEs utilising exporting as a means of growth.

Ultimately, GS1 UK wants to help smaller businesses that are ready to export to accelerate and establish their growth strategy in order to scale up internationally.

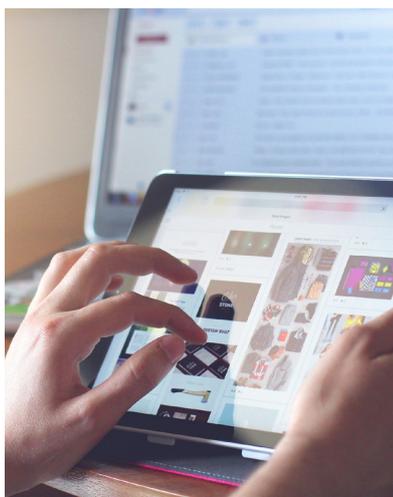
As a recognised partner of The Department for International Trade, GS1 UK is well-placed to advise in this area. to deliver on these aims by providing SMEs with a national roadshow, visiting UK hotspots to give practical assistance.

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**£7.8bn** in tariffs if we see a hard brexit

**14%** duties may be applied on goods imported from the EU

**26%** expect their exports to remain the same



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While e-marketplaces present companies with an invaluable commercial foothold, less than one in five retail purchases is being made online.

## How small British businesses are selling

Once upon a time, selling online was the sole preserve of the retail giants, such were the costs and complexities behind incorporating the required functionality into your website.

Even having a basic brochure site without a store section could prove prohibitive, but things have become a lot more democratic.

Build-it-yourself platforms can be acquired cheaply, and a wave of payment-solutions providers fighting for market share have driven down the cost for those looking to sell directly to their customers online.

The explosion of [online marketplaces](#) has also benefitted small British retailers too, creating a global “iStreet” that is expected to generate [£21.3bn by next year](#).

Amazon and eBay were cited by 61 per cent and 30 per cent of our 2018 new joiners respectively as their retailer of choice. Smaller marketplaces, like [Trouva](#), [Fruugo](#), [Down Your High Street](#) and [The Great British Exchange](#) are giving SMEs more routes to market than ever before, with social media according them an opportunity to speak directly to potential new customers.

While e-marketplaces present companies with an invaluable commercial foothold, less than one in five retail purchases is being made online. It is still vital for SMEs to try and stake a claim to a spot on the crowded high-street shelves.

Business groups such as [Artisan Food Club](#) have evolved to help connect start-ups with shops, and communities like [Enterprise Nation](#) and [Young Foodies](#) aim to make the “every day easier” for challenger brands by affording them some of the benefits of bigger businesses.

With the larger supermarkets carrying thousands of lines, there would appear to be plenty of opportunities for SMEs to get their products in front of shoppers, but the rise of discount chains such as Aldi and Lidl, with their slimmed-down selections, has led to a less-is-more approach in some quarters.

That said, several supermarkets have made commitments to the support of local businesses. Morrisons [Local Foodmakers](#) campaign is just one of the initiatives launched to uncover the next generation of regionally sourced talent.

Travelling the length and breadth of the country, the team hosts events where it invites 20 to 30 local suppliers to pitch their products and showcase their wares in front of specially selected customers.

Since the initiative started in 2017, 153 local suppliers have started working with Morrisons, meaning 75 SMEs a year have got the big break that they might not have had otherwise.

While online sales might only account for 17.6 per cent of all transactions at present, the percentage significantly increases among younger demographics, suggesting only one direction of travel in the future.

Indeed, [Nasdaq](#), the world's second largest stock exchange by market capitalisation, estimates that by 2040, as much as 95 per cent of all purchases could be facilitated by e-commerce.

To help manage their product catalogues, GS1 standards are used by a host of online [marketplaces](#), from giants including Amazon, eBay and Google Shopping, to smaller, more niche platforms. British companies looking to make themselves more discoverable, should think about what standards could do for their businesses.

Among the potential benefits of using GTINs are a better customer experience, an increase in impressions of [up to 40 per cent](#), and more conversions.

**£21<sub>bn</sub>** expected to be generated by online marketplaces

**75** SMEs a year have got their big break

**95%** of all purchases could be facilitated by e-commerce by 2040

## Opportunities for smaller British companies

Small, independent shops are more likely to stock interesting local produce, but the biggest retailers are focussed on selling large quantities at lower prices.

For smaller companies, securing precious shelf space in the premier supermarkets is the quickest way to get in front of the greatest number of potential customers.

Tesco accounts for the lion's share of the UK grocery market at 27 per cent, so it's no surprise it was cited by 23 per cent of GS1 UK's new members in 2018 as the retailer they were the most keen to work with.

But it's Waitrose that punches far above its weight in terms of providing opportunities for home-grown SMEs, affording 17 per cent of local chances despite its relatively modest 5 per cent market share.

Ocado also provides bountiful bang for the local-supplier buck, with a tenth of openings despite accounting for just 1.3 per cent of total grocery sales.

Supermarket	Market share (per cent)	Analysis of opportunities for new joiners (per cent)
Tesco	27.4	23
Asda	15.4	10
Sainsbury's	15.3	19
Morrisons	10.3	7
Aldi	8.0	3
Co-op	6.1	7
Lidl	5.6	3
Waitrose	5.0	17
Iceland	2.1	1
Ocado	1.3	10



British brands have a definite global appeal, as they are commonly associated with a strong heritage of great quality, creativity, and innovation.

## Case study – LioBites

“Driven by my own desire of wanting to provide my children with healthy, nutritious and tasty snacks, I came up with the idea for LioBites, a freeze-dried fruit snack.

After a year of product development and research, I started trading in March 2018, taking advantage of the healthy eating boom that is currently taking the UK by storm.

As a small, young company, I am the only employee, and I prefer following the long-term strategy of outsourcing and leasing tasks to people who have expertise in certain areas, such as my accountant, graphic designer and the use of third-party warehouses.

Being the owner of an SME in the UK and utilising our British brand identity has helped propel LioBites into overseas markets.

Currently, LioBites exports to Germany, Saudi Arabia and Singapore. In the future, we hope to branch out into other markets including Japan.



Anna Oldbury, director of LioBites

I believe the brand's success abroad is due to the fact our product is healthy and high quality, two things which are paramount priorities for consumers in the present day.

In addition to this, British brands have a definite global appeal, as they are commonly associated with a strong heritage of great quality, creativity, and innovation.

Having initially launched online, LioBites is now supplied to a variety of different outlets, including independent shops, cafes and adventure parks. We also participate in specialist trade shows and events.

In May, I was fortunate enough to receive a meeting invitation from Ocado after following its online application process.

The process was straightforward, and I was given the opportunity to pitch my product to buyers at a supplier event.

With its family focus, Ocado is the perfect partner for LioBites. My long-term goal is to enter the education and healthcare sectors, supplying healthy snacks to schools in canteens and health facilities across the country.

Working with GS1 UK, and being one of the first SMEs to use its productDNA platform to manage my product data, has set me apart from other companies, and Ocado was impressed that I was an early adopter.

Most importantly, it has enabled my product and its packaging to meet the requirements of larger suppliers in the UK.

Barcoding technology has been especially helpful in increasing the traceability of my goods, a crucial attribute to have when exporting.

Other SME founders I have spoken to have not been so fortunate, purchasing barcodes online that are not recognised internationally.

I'm often asked about how I see Brexit affecting my business. While potential trade tariffs and their ramifications for the supply chain are a primary concern, even if costs go up and the value of the pound goes down, I believe we can make up these losses with increased international sales.

As I like to say, despite the political and economic developments that may unfold, people will always need to eat.

## Department for International Trade (DIT)



I am delighted to hear about LioBites' recent export successes and their growing export ambition. Exporting can be challenging so it is encouraging companies such as LioBites are tapping into markets, in the Middle East and Far East. This reflects the high regard UK products have globally. World consumers know that when they buy British food and drink, that they are buying quality products that are innovative and authentic.

The Department for International Trade (DIT), through its network of international trade advisers and staff overseas, is here to help develop the export strategies of companies such as LioBites, as well as help companies export for the first time.

LioBites has, for instance, received helpful guidance from DIT's South East regional team on the Japanese market and I urge any company either interested in exporting or exporting more, to seek assistance from their local DIT International Trade Advisor (ITA). Local ITAs can be found through: <https://www.great.gov.uk/contact/triage/location/>. I wish LioBites continued success.

**Sue Bishop**

**Deputy director, creative, lifestyle and learning, Department for International Trade (DIT)**



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It's not just our alcohol that is the envy of the world, our clothes, cosmetics and crafts are also held in the highest regard.

## Conclusion

Protracted discussions about Brexit have given us plenty of time to reflect on what constitutes our national psyche and what will shape it in the future.

Respect for our politicians may be at an all-time low, but it's very much business as usual for our smaller start-ups, as evidenced by the spike in our new joiners from 2018.

Demand for British products isn't just coming from these shores either, with the latest figures showing that exports have gone from strength to strength to reach **£639bn in the year to February 2019**, a year-on-year increase of 3.1 per cent.

Beverages continue to bolster these numbers, with overseas demand for British soft drinks, wine and spirits more than doubling in the past 15 years.

British goods are still a benchmark for high quality and our position at the heart of a community of more than 39,000 members across more than 25 industries, gives us a unique perspective into quite how deep this seam of excellence runs. It's not just our alcohol that is the envy of the world, our clothes, cosmetics and crafts are also held in the highest regard.

The future may be uncertain, but even if the way we trade with the EU alters in the years to come, continued strong global demand should help to offset the impact.

**Chris Tyas**

**Chairman, GS1 UK**

## About GS1 UK

GS1 UK is just one of 114 neutral and independent GS1 organisations operating worldwide. From product barcodes to patient wristbands, GS1 standards have been transforming the way we work and live for more than 40 years.

Whether online, in store or in a hospital, the common language of GS1 global standards is helping our community of more than 39,000 organisations across Britain to uniquely identify, describe and track anything, creating greater trust in data for everyone.

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