

**THE GOOD, THE
BAD AND THE
UGLY;**

**OPPORTUNITY,
COVID AND
BREXIT**

**II. Food & Beverage and Wholesale
& Distribution**
December 2021





We all have heard how challenging times are a great foundation for new ideas and opportunities, but before we experience the good, there will be several encounters with the bad and the ugly

Looking back,
how has Covid-19 and Brexit
impacted the UK economy?

Looking at the future,
what opportunities resulted
from these challenges?



Brexit and Covid in Food & Beverage

On the 24th December 2020 the EU and the UK finally agreed the TCA (Trade and Cooperation Agreement), active from the 1st Jan 2021. The TCA has introduced several changes, affecting many areas in this sector.

The greatest impact for the Food & Beverage sector, without doubt, has been paid by hospitality. Not least, most recently with accusations of “lockdown by stealth” caused by the clumsy pre Christmas Gov communications. Tom Kerridge reporting 654 cancelations across 3 sites in the second week of December as a result!

UK Hospitality reported in Sept 2021 that the increased debt as a direct result of Covid and Brexit amounted to c £48k per outlet. This is surely only set to rise as hospitality face the quiet January and February months without the full benefit of Christmas... traditionally 30% of the annual turnover. This will have to be repaid but at what cost?

With some statistics stating 56% of British businesses are finding it more difficult to buy and/or sell with the EU, this report is one in a series, which shares how British business trading in the Food & Beverage and Wholesale & Distribution sector, have been impacted by Brexit and Covid.

“Kerridge:
Hospitality has
been hung to
dry yet again”

The Morning Advertiser
(December 2021)

Brexit facts

Have business costs increased since Brexit?

British businesses say:

- 40.4%: Yes, costs are higher.
- 50%: Costs are the same
- 9.6%: No. costs have reduced

Any impacts on the imports from EU?

British businesses say:

- 25%: Yes
- 30.8%: No
- 44.2%: NA

Any impacts on the exports to EU?

British businesses say:

- 19.2%: Yes.
- 13.5%: No
- 67.3%: NA

Is accessing supplies from EU more difficult now?

British businesses say:

- 26.9%: Yes. It makes more complicated
- 11.5%: It's easier
- 25%: It's the same
- 36.6%: NA

Covid facts

Has the pandemic affected your business investments?

British businesses say:

- 60%: We are investing more
- 40%: We are investing the same

In the last year, have you postponed any acquisitions?

British businesses say:

- 40%: Yes, due to the pandemic putting pressure on businesses
- 60%: No

How stressed are you about profits decreasing?

British businesses say:

- 40%: Not stressed
- 20%: Moderately stressed
- 20%: Very stressed
- 20%: Extremely stressed

How stressed do you feel about cash flow?

British businesses say:

- 60%: Not stressed at all
- 20%: Moderately stressed
- 20%: Very stressed

Brexit and Covid in Wholesale & Distribution

It went down to the wire, but a UK-EU trade agreement is in place. The impact continues to disrupt and reach almost every corner of the food industry, yet the deal's full implications will not be understood for years.

Perhaps most vitally, the deal avoided punishing tariffs that could have pushed average food prices up and additional 5%, according to Tesco chairman John Allan. Given the majority of the UK's food imports come from the EU, BRC CEO Helen Dickinson says the deal allowed British businesses to breathe "a collective sigh of relief".

This is however only one inflationary variable that has been avoided. There are many more that are only just being realised. For example, during the height of the pandemic, breweries had to shift their business models overnight from large pack containers for on-trade to cans. In September 2021 Coca-Cola UK also warned of Diet Coke shortages due to lack of cans and reportedly, with their huge buying power, then proceeded to corner the market for every available can! The knock-on impact for the whole market continues to be profound!

"UK CPI rose by 4.3% in the year to Nov 2021"

UK Gov ONS (December 2021)

Brexit facts

Have business costs increased since Brexit?

British businesses say:

- 40.4%: Yes
- 55.8%: Costs are the same
- 3.8%: Costs have reduced

Any impacts on the imports from EU?

British businesses say:

- 48 %: Yes
- 30.8%: No
- 21.2%: NA

Did you make special arrangements to prepare for Brexit?

British businesses say:

- 21.2%: Yes
- 46.2%: Some
- 32.6%: NA

Is accessing supplies from EU more difficult now?

British businesses say:

- 28.8%: It's more complicated
- 21.2%: It's easier
- 34.6%: It's the same
- 15.4%: NA

Covid facts

What have you invested in?

British businesses say:

- 44.4%: Hardware
- 33.3%: Software
- 22.3%: Both

In the last year, have you had to postpone any acquisition?

British businesses say:

- 18.8% Yes, due to Covid putting pressure on businesses
- 12.4% Yes, due to a lack of financial finance
- 68.8%: No

How stressed are you about profits decreasing?

British businesses say:

- 18.8%: Not stressed
- 50%: Moderately stressed
- 18.8%: Very stressed
- 12.4%: Extremely stressed

How stressed do you feel about cash flow?

British businesses say:

- 25%: Not stressed
- 37.5%: Moderately stressed
- 25%: Very stressed
- 12.5%: Extremely stressed

Opportunities generated from Covid and Brexit challenges

There is no doubt the world has undergone a tremendous transformation that has touched every individual and every sector. Having to overcome so many barriers, and wanting to survive this new reality, industries have had to reassemble and reinvent themselves.

And it is so, that after surviving the Bad and the Ugly, we start having a glimpse of the Good.

A few of the new opportunities for both, Food & Beverage and Wholesale & Distribution sectors:

- Move to an improved supply chain management
- Closer collaboration between suppliers and businesses through technology
- Technology plays a greater role at eateries tables with the addition of self service apps
- Moving to paperless in favour of technology
- Transition from office based work to remote work/home office for some positions
- Online platforms are created to bring entertainment closer to people
- More nutritious/Immune boosting-Ingredients are present in foods & drinks
- Health awareness trends grow, ie: plant based diet gains interest vs meat based diet

Dave is a Hospitality Specialist with over 23 (*very happy*) years in a variety of commercial and operational roles, both B2B and B2C, working with **Whitbread, Mountain Trading Company, Mitchells & Butlers, Diageo, Greene King Brewing & Brands, Greene King Pub Partners & Stonegate Pub Co.**

Given his wide experience and deep industry knowledge, he fully understands the day-to-day and more strategic challenges that hospitality faces, particularly in the current climate.



In sharing new insight and challenging the industry “norms”, Dave’s intention is to support his 23 year Network to accelerate the recovery without burdening them with additional costs and further risk taking!

Who to chat to

If you wish to discuss this article in more detail, please feel free to contact Dave Freeman either by phone or email

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Report: “The Good, the Bad & the Ugly; Opportunity, Covid & Brexit (Food & Beverage and Wholesale & Distribution) (III)”

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Part of the data used originates from a survey carried out by the Highly Respected Close Brothers Asset Finance (March 2021). This data is focused on Food & Beverage and Wholesale and Distribution businesses across the UK with a turnover greater than 10m pa