Evaluation of Food & Drink UK Premium Market Development Project

Final Report

for

Scottish Enterprise

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Introduction

The Food and Drink UK Premium Market Development (PMD) project is a flagship activity for the SE Food and Drink team, delivering against the key objective within the Scottish Food and Drink strategy of supporting the industry to exploit premium markets within the UK (defined as the UK retail and foodservice markets).

The overall objective of the UK PMD project is to build capability within Scottish food and drink companies to help them fully exploit the opportunities that exist within the UK retail and foodservice markets. It aims to achieve sustainable benefits by bringing about a step change in the way companies operate in these markets.

Study Aims and Objectives

The main aim of this study was to review the activities delivered by the UK PMD project from April 2005 to December 2008.

The specific objectives of this project evaluation were to determine:

- the achievement of the objectives as defined in the SE approval paper;

- the extent to which the project objectives have been met (both qualitative and quantitative); and

- the outputs obtained via the project to date (primarily sales for companies in the UK premium markets).

Study Method

The study has made use of a range of information sources, such as the relevant strategic and policy documents, SE approval papers and the evaluation reports prepared by the delivery agents responsible for the selection of events, exhibitions and targeted support under the UK PMD project.

Central to the process was a detailed consultation programme and beneficiary survey of participant companies.

Through the consultation programme we conducted a mix of one-to-one telephone and face-to-face discussions with the SE and HIE Food and Drink Team representatives, Scotland Food and Drink (SF&D) and the five agents charged with the management and delivery of discrete elements of the UK PMD project. In total we undertook 11 consultations.

One of the main components of this study was to obtain feedback from companies that had attended events/exhibitions and targeted support delivered through the UK PMD project.

Despite contacting companies on average between three to five times from the population of 162 companies, in the short time afforded to this study we only managed to achieve 28 completed interviews – a response rate of 17%. As companies attended a wide mix of events, exhibitions and targeted support programmes, we managed to gain responses from seven companies that had been in receipt of targeted support and 26 companies that had participated in the various events and exhibitions delivered through the UK PMD project. A detailed Post Survey Report has been appended to the main report.

Key Findings and Conclusions

The key findings and conclusions from the evaluation to be considered for the Food and Drink UK PMD project going forward are outlined below.

Market Failure Rationale for Intervention

Although, as detailed in the main report, progress has been made to address elements of the underlying market failures that justified the initial development and delivery of the UK PMD project; failures still exist. There is also an added complexity that failures tend to change in focus as the market changes. Therefore, the following market failure issues are still relevant for the UK PMD project going forward:

- **market information failures**:
  - market churn and development means that information failures are constantly renewed
  - the evidence suggests that there is still a number of companies, especially smaller SMEs, that lack the appropriate market information coupled with an understanding of the relevance and benefits (i.e. additional sustainable sales) that information can provide. There is still a perception that such information is costly with no due cognisance of the links between market information and the potential benefits that could be generated;
- **lack of an appropriate skills base** (imperfect competition /market power):
  - appropriate marketing, presentation and negotiation skills to provide major retailers with an understanding of their products' unique selling points continues to act as a barrier to smaller, niche artisan companies being listed at the Scottish and UK level. Companies of this scale, often with less than 10 employees, do not have internal teams to deal with such issues compared with bigger concerns;
- **lack of awareness and understanding of buyers and markets** (information failures):
  - the ability to be listed varies according to the policy of the multiples – a listing with one does not guarantee a listing with another. In addition, some companies are still focusing on achieving a listing with an inappropriate buyer in terms of their

internal capacity and capability to manage potential contracts. Thus there is a continued mismatch with regard to company size and the scale/volumes required by buyers, such as the major multiples

- there are more companies that have yet to participate in the UK PMD project and have the same issues with trying to enter appropriate markets in order to secure listings and generate sales; and

– **nature and complexity of the marketplace** (the following bullet points related to information failures, imperfect competition/ market power and externalities respectively):

- there is still a tendency for companies to treat the foodservice and retail markets the same, when in reality the process required to enter these markets and the contacts to be made are very different
- there is a continual need for smaller more niche artisan type companies to gain support in order to offer a point of difference to retailers. By definition, these smaller companies do not have access to the resources, skills, finance, etc required to develop and offer such a point of difference to their products, unlike the bigger food and drink companies
- current economic downturn could have positive and negative implications for food and drink companies:
  - o more people are spending more on luxury, high quality, products to consume at home, which offers an opportunity to meet such customer demand through the retail market
  - o sales of high quality speciality foods could be hit as consumers alter their shopping patterns by trading down through incremental shifts between retailers. For instance, shoppers may now go to Morrisons when they previously shopped in Sainsbury's. In addition, such activity driven by the need to achieve value for money may result in shoppers buying the multiples' 'own labels' rather than branded products.

Achievement of Project Objectives and Targets

The overall objective of the UK PMD project is to build capability within Scottish food and drink companies to help them fully exploit the opportunities that exist within the UK retail and foodservice markets.

Since its inception in April 2005 the UK PMD project has gone a long way to ensure a step change in the way companies operate and achieve sustainable benefits in the retail and foodservice markets into the longer term. Evidence is presented below with a focus on the four key activity streams to provide general highlights of what has been achieved or not:

- **the provision of market information and awareness raising activities around the growth opportunities within UK premium markets**: this has been addressed through the plethora of events, exhibitions and targeted support programmes that have been delivered since April 2005 and the 438 company participants that have attended such events;

- **targeted support to key companies to develop their knowledge and skills in the retail and foodservice markets**: this has been a very successful element of the UK PMD project. Although we only managed to interview seven companies that had been in receipt of targeted support from our consultations with UK PMD delivery agents the following successes have been reported:

  - Retail Supplier Excellence Programme – several companies have reported increases in sales and turnover. In addition intangible benefits were highlighted in terms of how companies are more confident in their dealing with major retailers and are willing to take the necessary steps to alter their strategic and market focus, aims and practices to the benefit of the business
  - Foodservice Excellence Programme - project participation was expected to increase turnover by over £3.5 million[1], spread over nine companies, by December 2008
  - Market Information Pilot with information provider TNS - has helped some companies win new business, but there has been a reliance on the individual to be able to absorb and apply the information provided within the business;

- **working with retail and foodservice operators on an account managed basis, developing action plans and delivering joint activity to achieve increased sales**: the relationships that have been established have in many cases (but not always) led to Meet the Buyer events (to an extent Buyer Briefings). Given that 19 MTB events (including the Catering and Hospitality Forum) have been delivered over the project duration, many participants companies have been able to increase sales; and

- **partnership working on joint delivery of activity to support market development, principally HIE on activities as outlined above (with the exception of Retail Supplier and Foodservice Excellence Programmes)**: the principal partner with whom SE worked on the delivery of market development activity was HIE. This relationship was set up in 2007 and saw HIE lead on the delivery of the project (including contractor management) for the remainder of the project, with SE providing a grant contribution towards the delivery of activity. This partnership working model should be explored and widened to other stakeholders in the context of SF&D's three-year Market Penetration strategy which is being developed. An Interim Access

[1] Assuming food inflation of 5% per annum and organic growth of 3% per annum (i.e. growth that would have happened anyway).

to Markets Programme element of the UK PMD project is currently running until September this year, and SF&D has employed two people to take this forward.

Overall: What has Worked

With reference to the key findings from the consultation programme the following elements of the UK PMD project that have worked well are as outlined below:

- the targeted support element of the UK PMD project has worked well, with substantial projected outputs, particularly for the Foodservice Excellence Programme;

- the Speciality & Fine Food Fairs (London) have provided companies with the ability to take advantage of being part of the Scottish Pavilion which offered opportunities for attendees to raise the company profile and to network with other companies from Scotland and elsewhere. Indeed, there is now an appetite for participants to use the project as a springboard to develop contacts, listings and sales with buyers in European and other international markets. The weak £/€ and £/$ exchange rates currently offer a comparative advantage in terms of price for high quality Scottish food and drink products;

- the sheer volume of Meet the Buyer and Buyer Briefing events delivered over the duration of the project has enabled companies to secure listings and sales, but in some cases more importantly, to gain an understanding of the appropriate markets and buyers it has the capacity and capability to supply;

- the partnership arrangement with HIE and the management of the project through the use of delivery agents has tended to work well. Those appointed have been very knowledgeable about the food and drink industry in general and have also had specific expertise to be able to deliver targeted support programmes. However, with the scoping of the three-year Market Penetration Strategy that is underway, it is anticipated that SF&D will be delivering the one-to-many elements of the projects (Meet the Buyers, Buyer Briefings etc), and so there is a requirement for SF&D to foster and develop the good strategic relationships previously established with major retailers and foodservice businesses and the relationships established with participant companies;

- company networking and sharing of experience and knowledge afforded by participation on Meet the Buyer, Buyer Briefing and Speciality & Fine Food Fairs – in addition to success by some in terms of sales secured; and

- an element of project flexibility to allow for tailored one-to-one support for participant companies which may incur different approaches.

Overall: What has Not Worked and Could be Improved

The main issues that have not worked and could be improved are as follows:

- more formal and structured follow-up with companies and buyers further to project participation. Whilst attempts were made via some of the delivery agents to collect this information approximately six months after the event, this needs to be a made a priority and collected in a robust way. In particular, such follow-up workshop activities should be undertaken about a year or so after UK PMD participation, to take account of the lead time required for actual sales to be realised for a company further to an initial listing by a buyer at an event. Such follow-up activity would provide an opportunity to:
  - assist with ongoing project monitoring to assess whether the secured listings had actually led to the anticipated level of sustainable and profitable sales into the longer term
  - confirm if company activity continues to be appropriately focused in relevant markets
  - consult with buyers to understand if their expectations have been met;
- buyers need to set specific criteria for selecting attendees for events such as Meet the Buyer – to help to manage companies' expectations;
- elements of targeted support, as follows:
  - recruitment:
    - need to improve company targeting for discrete support
    - require individuals to commit to embedding learning within the business further to event attendance
    - better articulation of course benefits to encourage participation
    - rolling programme of events over a two to three-year period, with staggered entry dates;
  - feedback from events to be driven more by SE to improve objectivity of responses
  - duration of courses – longer period of time is required to improve the potential for results/impacts to be realised
  - careful consideration needs to be given to the balance between charging companies to participate in workshop sessions and the level of company buy-in and commitment that can be attained due to a cost being incurred;
- although viewed as working by some, there is still a need to tailor support as closely as possible to company requirements to ensure maximum success;

- better integration of the various elements of the project to improve the awareness of UK PMD interventions as a whole; and

- provide introductory seminars (10 to 20 companies) to improve selection and recruitment of appropriate food and drink companies, particularly in the case of one-to-one excellence programme support.

Benefits Derived further to Project Participation

The benefits that respondent food and drink businesses have derived following participation at the events, exhibitions and targeted support through the UK PMD project are detailed below by event.

The main benefits derived by respondent businesses following participation at Buyer Briefing and Meet the Buyer events are:

- better at business-to-business networking (69%); and

- increased knowledge and understanding of market(s) and the key players in the market(s) (60%).

For participants to the Speciality and Fine Food Fairs (S&FFF), the main benefits, as identified by all three participants, are:

- increased listings/sales with the buyer/organisation concerned;

- more aware of the benefits from increased profile of the company from attendance;

- better able to develop business opportunities with new key customers in the long term; and

- helped my company gain better access to targeted buyers/organisation in these markets.

The main benefit identified by the two respondent participants of the Real Food Festival was:

- the creation of a pavilion by SE/HIE for exhibiting our product, complete with support and assistance, offered good value for money.

Given that the level of respondent companies was fairly low, the main benefits derived from participating in targeted support include a mix of the findings from this evaluation and from the appropriate post event evaluation reports. These benefits are as outlined below:

- Retail Supplier Excellence Programme:
  - participants more knowledge of market and status of customers
  - making contacts with other manufacturers from the local area and new business opportunities

- companies becoming more confident in their dealing with major retailers and more willing to take the necessary steps to alter their strategic and market focus, aims and practices to the benefit of the business
- the opportunity for networking as inter company contact was encouraged throughout, both formally and informally
- participants found that there was a real benefit from the course leaders having 'real world' experience. It enabled the facts to be related to reality, and the topics covered to be relayed in terms of success actually delivered. This made them relevant and applicable
- knowledge and skills in sophisticated overall management, especially marketing, from the programme delivery personnel also proved critical, as the programme identified real needs in these areas;

– Foodservice Excellence Programme[2]:

- participants more aware of opportunities for the development of their company within the foodservice sector
- companies made good or reasonable improvements in their knowledge of the sector
- participants more aware of the sales resources required to address the foodservice market and had acted to meet any shortfall
- companies more confident in presenting to a foodservice buyer
- participants had developed new products as a direct result of the programme
- all had agreed that the programme was sufficiently flexible for their needs in terms of time, availability and approach;

– Workshops:

- well put together - good experience and beneficial (handouts at the end would have been welcomed); and

– Market Information Pilot project:

- companies better able to present their case to the multiples and customers.

[2] All benefits taken from the Post Programme Evaluation prepared by the delivery agent, as the respondent company for this evaluation actually withdrew from the Foodservice Excellence Programme.

Economic Impact Assessment: Gross to Net Impacts

The study collected actual direct impact data from respondent companies that had participated in the UK PMD project over the period April 2005 to December 2008. The survey also gathered information on levels of additionality and displacement associated with the support provided and allowed for calculations of net impacts for the UK PMD project.

A summary of the gross to net employment and sales impacts for the SE area is presented in **Table E.1** below. Details of the gross to net employment and sales figure by financial year throughout the duration of the UK PMD project and in comparison with Scotland as a whole are contained in **Chapters 5** and **6** of the main report.

With regard to **Table E1**, it is encouraging to note that anticipated gross employment is expected to rise fairly substantially by around 50.5 FTEs to 71 FTEs by 2011/2012. Gross sales are also expected to increase by just over a fifth (21%) again of current realised sales by 2011/2012.

Table E.1: Gross to Net Additional Employment (Created and Safeguarded) (FTEs) and Sales Impacts as Result of Project Participation by Financial Year – SE Area

SE Area	**Gross Employment (grossed up)**
Total realised	32.45 FTEs – 45.65 FTEs
11/12 (total anticipated)	50.48 FTEs - 71.02 FTEs
Overall Total	**82.94 FTEs – 116.67 FTEs**
SE Area	**Net Additional Employment (grossed up)**
Total realised	9.6 FTEs – 13.5 FTEs
11/12 (total anticipated)	48.1 FTEs – 67.6 FTEs
Overall Total	**57.7 FTEs – 81.2 FTEs**
SE Area	**Gross Sales (grossed up)**
Total realised	£6,293.6k - £8,853.4k
11/12 (total anticipated)	£1,370.3k - £1,927.6k
Overall Total	**£7,663.8k - £10,781k**
SE Area	**Net Additional Sales (grossed up)**
Total realised	*£2,326,864 -£3,273,291*
11/12 (total anticipated)	£1,305,430 -£1,836,398
Overall Total	**£3,632,294 -£5,109,689**

Source: EKOS UK PMD Beneficiary Survey, February and March 2009
Note: The figures presented in **Table E.1** are subject to rounding.

With regard to gross sales (grossed up to the total population), the anticipated target of £5.6 million has been exceeded by at least £2.1 million (lower value of gross sales range). The gross sales figures increase substantially when taking into account results reported through internal monitoring.

At the SE area level UK PMD participation has resulted in the creation and retention of 9.6 FTEs to 13.5 FTEs to date. The is anticipated to increase by a significant level, 48.1 FTEs to 67.6 FTEs by 2011/2012, once companies have had more time to embed the benefits of UK PMD project participation into the business.

Over the past four financial years, between £2.3 million and £3.3 million of net additional sales have been realised for participant food and drink companies in the SE area. Encouragingly as contracts mature and grow, it is anticipated that by 2011/2012 net additional sales figures will increase by over half again (56%) on those currently realised.

Usage, Quality and Demand

In terms of usage and quality, 57% of respondent companies agreed and 18% strongly agreed that UK PMD project participation had met their company needs and indeed their expectations. In addition, as noted above almost one-third of respondent companies were able to attribute employment and sales impacts as a result of project participation.

Some respondent companies would like to participate in future events, especially Meet the Buyer type of events with some of the other large multiples.

Overall, given that the Scottish Food and Drink industry employs 21% of Scotland's total manufacturing workforce, there are still many food and drink companies in the SE area that could benefit from project participation. Due to the current economic downturn it is suggested that the demand for project participation could increase quite significantly.

Management and Delivery

There were a number of suggestions and improvements (some as noted above) with regard to the future management and delivery of the UK PMD project. These are as follows:

- SF&D to ensure continuity of delivery and management of Meet the Buyer, Buyer Briefing and Speciality & Fine Food Fair events/exhibitions through close liaison with SE and HIE during the handover period;
- improve company participation and recruitment (direct link to potential for increased impacts) through:
  - better management of companies' expectations – pre-selection events/seminars for up to 10 to 20 companies prior to signing up for targeted support (e.g. excellence programmes) to provide a clear understanding of potential benefits from project participation
  - a rolling programme of events over a two to three-year period with staggered start dates
  - structured feedback events/workshops a year or so after event participation to assess how any benefits (both quantitative and qualitative) have been embedded in the food and drink business and if the company is indeed focusing on the most relevant market. Follow-up with buyers a year or so after UK PMD project participation is also recommended

- continuing to tailor targeted support as closely as possible to company requirements
- better integration of the various elements of the project to improve awareness of all UK PMD intervention components – particularly with SE food and drink account managed companies;

– encourage greater interest from the private sector, such as sponsorship deals to fund events such as learning journeys to successful food and drink businesses in Scotland or elsewhere;

– improve the future monitoring of the UK PMD project, it is suggested that the post event evaluation reports across all of the project's interventions include standard questions that link directly to the project's target information; and

– SE/HIE/SF&D (rather than delivery agents) to take a greater lead role in the evaluation feedback provided after each event in order to improve the objectivity of responses and to disseminate the findings through a user-friendly case study approach.

Assess the Fit and Contribution to other SE Activities, Priority Industry Development and the Equity and Equalities Agenda

It is imperative that the future development and delivery of the UK PMD project must complement and contribute to this evolving strategic and policy landscape. Furthermore, it is important that going forward the project contributes to the cross-sectoral aspects of equity and equality outlined in the Government Economic Strategy and the associated SE Food and Drink Industry Demand Statement in order to promote balanced and sustainable economic growth for all across Scotland. In addition, the future delivery of the UK PMD project will also need to give due cognisance to the issue of environmental quality, responsibility and sustainability with a specific focus on efficient distribution networks, waste minimisation and the adoption of renewable energy usage. Such themes could have the potential to be developed into workshop training events, which could be of particular benefit to food and drink businesses located in rural areas, where energy costs, such as fuel prices and the lack of distribution networks can add significantly to company costs and their resultant carbon footprint.

With regard to assisting rural food and drink businesses to diversify and grow, it is important to note that the UK PMD project should not be viewed in isolation - there are other SE/HIE interventions in terms of food tourism, marketing etc that encourage such growth in dispersed geographical areas.

It should be noted that from the viewpoint of respondent companies, the UK PMD project is viewed as unique, but does complement other support delivered in the main by SE/HIE/SF&D and other partners and stakeholders.

Recommendations

In light of the above key findings and conclusions, it is recommended that SE continues with a programme of market development activities for at least another three years. Any future SE programme should be positioned within the context of the overall Market Penetration Strategy being developed by SF&D which will articulate the role of the various partners and stakeholders in funding and delivering market development activities. It is anticipated that in line with its strategy, the future role for SE in market development would focus on intensive one-to-one support to help companies grow their capabilities in defined markets.

The project has been successful in terms of delivering sustainable employment and sales benefits to some participants.

In addition, the project itself has been cost effective and offered good value for money. The SE contribution of £600,000 has helped to assist 438 SE based food and drink company attendances at UK PMD events, exhibitions and targeted programmes since April 2005. This equates to an average level of financial support to SE based food and drink participant companies of £1,370.

The resultant leverage ratios are as follows:

- SE area: £1 of public sector spend on the UK PMD project has generated between £4.41 and £6.20 of net additional GVA; and
- Scottish level: £1 of public sector spend on the UK PMD project has generated between £3.76 and £5.29 of net additional GVA.

We believe that these ranges are on par with other SE and other economic development agency evaluation evidence with a focus on similar types of support projects. In particular, the recent Regional Development Agency (RDA) Impact Evaluation, March 2009, by PwC[3] for the Department of BERR[4] concluded that every £1 of RDA spend will add £4.50 to regional GVA.

With regard to an exit strategy, for any public sector intervention there is a requirement to constantly review projects and exit as appropriate. A partial exit from this project has now been achieved given that SF&D is now delivering the one-to-many activities previously delivered by SE and HIE. SE's role will focus on the one-to-one support in the future, but will be positioned as part of and contributing to the wider Market Penetration Strategy.

For the vast majority of the companies interviewed for this study, participation was either partially or fully additional suggesting that the UK PMD project is still providing valuable support that companies would not have had in the absence of the project.

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[3] PwC; PricewaterhouseCoopers LLP
[4] BERR: Business Enterprise and Regulatory Reform

1. Introduction

This report, commissioned by Scottish Enterprise (SE), presents the findings of an evaluation of the SE Food and Drink team's UK Premium Market Development (PMD) project.

1.1 Background

The Scottish food and drink industry employs 21% of Scotland's total manufacturing workforce and has annual sales of £7.57 billion, with a further 57,600 people (approx.) employed in the primary produce industry. The industry is also a fundamental part of the supply chain for the Scottish tourism industry which contributes an estimated £2.47 billion to the national economy on an annual basis.

The UK PMD project is a flagship activity for the SE Food and Drink team, delivering against the key objective within the Scottish Food and Drink strategy of supporting the industry to exploit premium markets within the UK (defined as the UK retail and foodservice markets).

The overall objective of the UK PMD project is to build capability within Scottish food and drink companies to help them fully exploit the opportunities that exist within the UK retail and foodservice markets. It aims to achieve sustainable benefits by bringing about a step change in the way companies operate in these markets.

Over the initial two-year period (2005 to 2007) the project sought to achieve increased gross sales of £2.6m for participating companies. When revised approval for the period 2007 to 2009 was obtained the targets were increased to cover an additional £3m of sales, cumulatively bringing the anticipated outcome to £5.6m of sales for the period 2005 to 2009.

1.2 Study Objectives

The main objective of this study was to review the activities delivered by the UK PMD project from April 2005 to December 2008.

The specific objectives of this project evaluation were to determine:

– the achievement of the objectives as defined in the SE approval paper;

– the extent to which the project objectives have been met (both qualitative and quantitative); and

– the outputs obtained via the project to date (primarily sales for companies in the UK premium markets).

To this end, the key components of this commission were to:

– review of the rationale for intervention;

- assess project objectives and targets achieved;
- assess project benefits including a detailed Economic Impact Assessment (as per HM Treasury Green Book Principles);
- assess the usage, quality and demand;
- assess the management and delivery;
- assess the fit and contribution to other SE activities and Priority Industry development;
- assess the contribution to the equity and equalities agenda; and
- present the key study findings and recommendations for the future direction and delivery of the project.

1.3 Method

The study was conducted in four stages, as follows: Stage 1: Study Inception; Stage 2: Desk Research; Stage 3: Study Fieldwork and Stage 4: Analysis and Reporting.

Central to the process was a detailed consultation and fieldwork programme. The consultation programme included telephone discussions with key representatives from SE, HIE, Scotland Food and Drink (SF&D) and the project delivery agents.

The study fieldwork element consisted of telephone interviews with participant food and drink companies based in the SE area. Our sample framework included a total population of 162 companies. It should be noted that some companies that participated in the events, exhibitions and targeted support were excluded by internal SE survey control as they have already contributed to SE research studies (not necessarily sector specific) over the last six months. Our detailed approach to the study fieldwork is outlined in the Post Survey Report in **Appendix 1**.

The detailed findings from the consultation and fieldwork programmes are presented in **Chapters 3** and **4** respectively.

1.4 Structure of Report

The remainder of this report is structured as follows:

- **Chapter 2**: provides a contextual overview including a summary of the Scottish food and drink industry, the wider strategic and policy context of the food and drink industry in Scotland and a brief description of the UK PMD project, covering the strategic and market failure rationale and management information in terms of funding, targets and participation levels since April 2005;
- **Chapter 3**: presents the findings of the consultation programme;

- **Chapter 4**: provides a summary of the beneficiary survey results;
- **Chapter 5**: assesses the economic impact of the UK PMD project with a focus on gross to net additional employment and sales; and
- **Chapter 6**: outlines conclusions and recommendations linked back to the study objectives and the key components of the study.

2. Contextual Overview

2.1 Introduction

This chapter provides a contextual overview including a summary of the Scottish food and drink industry, the wider strategic and policy context of the food and drink industry in Scotland and a brief description of the UK PMD project, covering the strategic and market failure rationale and management information in terms of funding, targets and participation levels. The market failure section incorporates the issues discussed during the study consultations – rather than report this separately in **Chapter 3** along with the rest of the consultation responses.

2.2 Scottish Food and Drink Industry

2.2.1 Introduction

The food and drink industry is a major contributor to the Scottish economy, achieving annual sales of around £7.57 billion (including whisky sales of around £2.6 billion) and employing 21% of Scotland's manufacturing employees.

2.2.2 Scotland Food and Drink

Scotland Food and Drink (SF&D) was launched as a private limited company in the summer of 2007. Its primary aim is to bring everyone involved in food and drink together to work to a common and shared agenda that will deliver greater success in global markets. The goal is to grow the industry from £7.6 billion to £10 billion over the next decade.

SF&D is a unique private-public initiative. Led by the industry and supported by government, it is challenged to work across the whole industry.

The scope of its work covers all aspects of the food and drink supply chain with a focus on *shared* industry ambitions. These are for Scotland to:

- be internationally known as "the land of food and drink";
- be one of the world's top three producers of premium food and drink products;
- be generating £10bn per annum from food and drink processing by 2017 and with everyone along the supply chain benefiting; and
- continue outperforming the UK Food and Drink industry and the wider Scottish economy.

These are ambitious objectives, and will have an impact across the entire food and drink supply chain. SF&D recognises that all industry players need to work together differently, smarter and, most importantly, collaboratively, in order to realise these ambitions.

SF&D has identified four key platforms on which it will develop its strategy for growth for the industry:

- building our international reputation – positioning Scotland with a strong global food and drink identity, and maximising opportunities for Scotland in premium markets, UK and internationally;

- collaborative value networks - building world class collaborative supply chains;

- innovation - improving the innovation performance of the whole industry; and

- skills and growth - including increasing productivity and leadership.

Within each of these key areas, a number of projects are being developed by the Reputation, Collaborative Value Networks, Innovation and Skills Working Groups where partners, stakeholders and members can input and participate in these as they develop.

The Reputation Working Group has taken responsibility for and ownership of the overall development of the Market Penetration Strategy with other partners and stakeholders being involved in the funding and delivery of activity. As the strategy develops it is anticipated that SF&D will be responsible for the delivery of the one-to-many events and exhibitions, and SE will continue to focus on one-to-one targeted support to food and drink companies. Thus SF&D will be able to monitor directly how these and other partner/stakeholder activity going forward will, in particular, contribute to the shared ambition of 'generating £10bn per annum from food and drink processing by 2017 and with everyone along the supply chain benefiting.'

2.3 UK Premium Market Development Project

2.3.1 Project Description

The overall objective of the UK PMD project is to build capability within Scottish food and drink companies to help them fully exploit the opportunities that exist within the UK retail and foodservice markets.

It aims to achieve sustainable benefits by bringing about a step change in the way companies operate in these markets over the longer term through the delivery of four key activity streams:

- the provision of market information and awareness raising activities around the growth opportunities within UK premium markets e.g. access to key information databases, 'Buyer Briefing' sessions;

- targeted support to key companies to develop their knowledge and skills in the retail and foodservice markets e.g. Retail Supplier and

Foodservice Excellence Programmes, Market Information Pilot project and discrete theme-based workshops;

- working with retail and foodservice operators on an account managed basis, developing action plans and delivering joint activity to achieve increased sales e.g. 'Meet the Buyer' events; and

- working with partners on joint delivery of activity to support market development, principally HIE on activities as outlined above (with the exception of the Retail Supplier Excellence Programme, the Foodservice Excellence Programme and the Market Information Pilot that have been delivered by SE only) and through the delivery of national Pavilions at key exhibitions, for example, the Speciality and Fine Food Fairs in locations such as London and The Real Food Festival.

The primary research (see **Chapter 4**) undertaken as part of this current evaluation study examines the actual benefits identified for food and drink companies in the SE area as a result of to UK PMD project participation.

2.3.2 Project Participation

The number of SE based participant companies by event over the period April 2005 to December 2008 inclusive is outlined in detail in **Table 2.1** overleaf. The general aims and anticipated measurable outputs from the events, exhibitions and target support programmes presented in **Table 2.1** are outlined in **Appendix 2**.

Table 2.1: Number of Participant Companies in the SE Area by Event/Exhibition/Targeted Support	
Meet the Buyer	Number of Participant Companies
ASDA (November 2007)	15
ASDA (August 2008 and November 2008)	6
David Sands (November 2007)	25
Fife Creamery (June 2007)	5
Marks & Spencer (June 2007)	3
NISA Today's (June 2008)	17
NorthLink Ferries (March 2008)	10
NorthLink Ferries (April 2008)	2
Sainsbury's (July 2006)	7
Sainsbury's (September 2006)	29
Waitrose (March 2006)	30
Waitrose (September 2006)	17
Waitrose (May 2008)	14
Waitrose (store visit – July 2008)	8
Waitrose (July 2008)	9
Whole Foods Market (February 2008)	18
3663 (October 2007)	11
Baxter Storey (October 2008)	8
Catering and Hospitality Forum	4
Buyer Briefing	
Bespoke Foods (March 2006)	3
Caledonian MacBrayne (May 2006)	2
Co-op (June 2007)	28
David Sands (October 2007)	32
Dobbies (November 2006)	3
Harrods Buyer Briefing May 2005	0
Harvey Nichols (July 2006)	9
NorthLink Ferries (February 2008)	27
Speciality & Fine Food Fair	
London (September 2005)	13
London (September 2006)	9
London (September 2007)	8
SF&D Pavilion (September 2008)	10
Other Events	
The Real Food Festival	12
Targeted Support	
Retail Supplier Excellence Programme (Nov 04 to May 05)	8
Foodservice Excellence Programme (2007/2008)	8
Market Information Pilot project (2006)	5
Technical Training Workshop (December 2007)	16
Sales Development Workshop (January 2008)	7
Total Participants	**438**

Source: Food and drink company information from UK PMD delivery agents.

2.4 Strategic and Policy Context

2.4.1 Introduction

The UK PMD project is fully in line with the following strategic and policy documents, namely:

- The Scottish Food and Drink Strategy (1999);
- A Smart, Successful Scotland (2004);
- Scottish Government Economic Strategy (2007);
- Scottish Government National Food and Drink Policy (2008);
- current development of the SE refreshed Food and Drink Strategy and the SF&D Market Penetration Strategy (2009); and
- SE Food and Drink Industry Demand Statement (2008).

2.4.2 Scottish Food and Drink Strategy (1999)

The current Scottish Food and Drink Industry Strategy sets out a 10-year perspective for the development of the industry to 2010 and is currently being refreshed. The strategy is widely acknowledged by industry and key stakeholders to have performed well within this timeframe, delivering tangible benefits from its development, launch and implementation.

The UK PMD project has been consistent with the Scottish Food and Drink Strategy, and has provided a key mechanism for achieving its overall goals and targets. For example, the project has made a direct contribution to the two of its six strategic goals in terms of:

- exploiting the premium retail and foodservice market in the UK; and
- developing the capabilities of the people within the industry.

The industry is keen to build on this strong progress and to ensure its ongoing ability to respond effectively to future challenges and opportunities. Therefore, a refreshed strategy is currently under development to look forward to 2017, in line with the Scottish Government Economic Strategy (GES), and will be led by the industry leadership organisation SF&D. In addition, SF&D is currently developing a Market Penetration Strategy which needs to be aligned to the wider strategy refresh.

2.4.3 Smart, Successful Scotland

Prior to being replaced by the GES in 2007, the project contributed to and fitted directly with two of the objectives set out in the Smart Successful Scotland strategy:

- **Growing Businesses** – success in key sectors by helping companies identify and exploit the opportunities available to them in UK premium markets thereby helping to achieve maximum impact from the sector; and

- **Skills and Learning** – developing people who are in work by providing training in key areas which will help to maximise the potential benefit to the business and will provide training in a way that fits with a company's operating environment. It will also benefit participating individuals in their longer-term career development.

The project has also contributed towards the aims and objectives of the Workforce Development strategy and also the overall cluster-based strategy for the entire Scottish food and drink industry.

2.4.4 Scottish Government Economic Strategy

The food and drink sector (including agriculture and fisheries) has been identified as one of the six key sectors in the GES. The sector is viewed as one with significant growth potential and the capacity to boost productivity in Scotland through stimulating investment, innovation and the greater development and utilisation of skills. Therefore in future the UK PMD project must be seen to contribute to Scotland's economic growth and productivity through the sustainable and profitable sales generated as a result of project participation.

2.4.5 National Food and Drink Policy

With the recent launch of the Scottish Government's National Food and Drink Policy, which is still under development, a Food and Drink Leadership Forum has been established to oversee the development process and liaise closely with government ministers. The Forum has five work streams, reflecting the scope of the policy. These are:

- sustainable economic growth;

- food education – with a focus on public health;

- reputation – which has links to the SF&D Reputation Working Group;

- walking the talk – public procurement; and

- access, affordability and security.

SF&D has been appointed as the leadership body to take forward the sustainable economic growth strand of this work and will play a key role in ensuring that industry strategy and government policy remain properly aligned going forward.

In particular the UK PMD project will need to continue to contribute to sustainable economic growth, via the Market Penetration Strategy, and thus, as a matter of course, adhere to the Scottish Government's policy for the food and drink industry.

2.4.6 Current Strategic Developments

At present SF&D is conducting an exercise to refresh the 1999 Scottish Food and Drink Strategy in tandem with the development of a three-year Market Penetration Strategy.

The SF&D refreshed Food and Drink Strategy is to be the overarching strategy for the industry as a whole with a clear articulation of how key food and drink industry stakeholders and strategic partners[5] should contribute to the achievement of the four strategic platforms for industry growth, i.e. Reputation, Collaborative Value Networks, Innovation and Skills.

As noted in **Section 2.2.2** above the development of the Market Penetration Strategy, the responsibility of the Reputation Working Group, will set the framework and define the roles of stakeholders and partners for the industry's future UK PMD project activity. The roles of the different stakeholders in delivering activity will be defined as the Market Penetration Strategy develops but it is anticipated that SF&D will be responsible for the one-to-many project events and exhibitions and SE will continue with the more targeted one-to-one support offered through the UK PMD project.

The refreshed SE strategy will focus on the three strands of SE intervention; enterprise, innovation and investment. The SE Food and Drink Industry Demand Statement (November 2008) articulates under the enterprise theme working with companies on a one-to-one basis. Therefore, the proposed role for SE in any future Market Penetration Strategy developed by SF&D is consistent with the SE Food and Drink Industry Demand Statement. The current one-to-one targeted support to food and drink companies, such as that delivered under the foodservice and retail supplier excellence programmes, clearly fits and contributes to SE's enterprise remit.

2.4.7 Summary

The UK PMD project is aligned to the Scottish Government's current strategy and policy for the food and drink industry. In particular the project has been consistent with the strategic intent and has contributed to the goals outlined in A Smart, Successful Scotland, 2004, the Scottish Food and Drink Strategy, 1999 and will continue to fit and contribute to the GES, the refreshed SF&D Food and Drink Strategy and the three-year Market Penetration Strategy going forward.

[55] Key industry stakeholders and strategic partners includes: **trade associations/levy bodies**: Seafood Scotland, Seafish Industry Authority, Scottish Salmon Producers Organisations, Quality Meat Scotland, National Farmers Union Scotland, Dairy UK Scotland, Scottish Association of Master Bakers, Scottish Food and Drink Federation, Scotch Whisky Association; **other industry bodies**: Food From Britain, Scottish Agricultural Organisation Society; **research/training bodies**: Scottish Agricultural College, Improve Ltd (Sector Skills Council), Rowett Institute at the University of Aberdeen and the **public sector**: Scottish Government, SE, HIE and Scottish Development International (SDI).

It is imperative that the future development and delivery of the UK PMD project must complement and contribute to this evolving strategic and policy landscape. Furthermore, it is important that going forward the project contributes to the cross-sectoral aspects of equity and equality outlined in the GES and the associated SE Industry Demand Statement in order to promote balanced and sustainable economic growth for all across Scotland. In addition, the future delivery of the UK PMD project will also need to give due cognisance to the issue of environmental quality, responsibility and sustainability with a specific focus on efficient distribution networks, waste minimisation and the adoption of renewable energy usage. Such themes could have the potential to be developed into workshop training events, which could be of particular benefit to food and drink businesses located in rural areas, where energy costs, such as fuel prices and the lack of distribution networks can add significantly to company costs and their resultant carbon footprint.

Lastly, with regard to assisting rural food and drink businesses to diversify and grow, it is important to note that the UK PMD project should not be viewed in isolation - there are other SF&D/SE/HIE interventions in terms of food tourism, marketing etc that encourage such growth in dispersed geographical areas.

2.5 Market Assessment

2.5.1 Market Failure Rationale

Strategic fit in itself is not enough to justify intervention by public agencies. It is essential to identify gaps in provision and to understand why these gaps have come about. Market failure is the key to setting the strategic rationale for public sector intervention in any local economic development market.

The UK PMD project is designed to address a number of market-based constraints. The market failure issues identified in the initial 2005 SE project approval paper were as follows:

- **lack of market/consumer information** - access to key market and consumer information is vital for companies to successfully compete in the retail and foodservice markets. However such data is expensive (e.g. a one-off category-specific report can cost up to £5,000 depending on its complexity). Such costs are prohibitive to many Scottish food and drink companies. Evidence also suggests that companies fail to see the benefit of such a financial investment and even where information is purchased there is a lack of ability to interpret and act upon it;

- **lack of account/category management skills** - research undertaken in preparation for the development of the 2004/05 retail strategy identified a lack of national account management experience among Scottish food and drink companies as a barrier to entry in this market. There are UK courses covering individual areas such as category or national account management but the costs are prohibitive to many Scottish food and drink companies.

They are targeted at multi-national companies and very few SME companies participate in them;

- **lack of access to buyers** - although some of the key players have regional offices in Scotland, most of the buyers are based in head offices in England. This results in limited access by Scottish food and drink companies to these key personnel and limited understanding of the capability of the Scottish suppliers. By bringing buyers and other key personnel to Scotland this project aims to address this issue; and

- **nature and complexity of the marketplace** - as competition intensifies the retail market in particular is subject to rapid change. The rise of the convenience sector means that there is an ongoing requirement to keep companies up to date with these developments in order that they can respond appropriately. By comparison foodservice is a relatively new but more complex market comprising of a number of channels and sub-channels to market. The requirement within foodservice is at a less sophisticated level i.e. helping companies understand the different channels and sub-channels to market, the key players and the differences from and similarities to the retail sector.

With regard to the future focus and direction of the UK PMD project it is imperative to assess how the project has helped to address the above market barriers and which failures are still prominent thus justifying continued public sector intervention through the delivery of this project.

Further to discussions through the consultation programme, market failures have been addressed to an extent as follows:

- **market/consumer information** – for participants that had attended the targeted project support, such as the Retail Supplier and Foodservice Excellence programmes and the Market Information Pilot with information provider TNS, project evaluation evidence from these events suggests that company involvement has given them an insight and understanding of their market, consumers and competitors and potential market opportunities. In addition, SE took out a subscription to IGD's Retail Analysis and I-reports databases and also to the Caterfile database[6] which were made available to food and drink companies with turnover of less than £10m, free of charge;

- **access to buyers** - companies are now more aware of the requirements of particular markets and the buyers in that market further to participation in specific Meet the Buyer and Buyer Briefing events. It is evident that some progress that has been made through participant companies being included on buyer listings that have subsequently generated sales (as detailed in **Chapter 5**) that would not have happened otherwise. In particular further to attendance at Meet the Buyer and/or Buyer Briefing

[6] These databases have now been transferred to SF&D.

events companies tend to be able to use this knowledge and act on potential market opportunities. Attendance at the Speciality and Fine Food Fairs and the Real Food Festival (both based in London) gave participant companies an ideal opportunity to market their products under a recognisable Scottish brand resulting in the overall support being greater than the sum of the discrete assistance given to individual participant companies; and

– **nature and complexity of the marketplace** – project participation has helped participant companies to diversify and to enter into the foodservice, as well as the retail, market. From the evaluation of the Foodservice Excellence Programme, it was reported that five out of the eight programme participants have benefited directly from the knowledge and understanding gained on the foodservice market.

That said, future project delivery will need to recognise that the market failures still exist, with the added complexity that failures tend to change in focus as the market changes, as outlined below:

– **market information failures**:

- market churn and development means that information failures are constantly renewed
- the evidence suggests that there is still a number of companies, especially smaller SMEs, that lack the appropriate market information coupled with an understanding of the relevance and benefits (i.e. additional sustainable sales) that information can provide. There is still a perception that such information is costly with no due cognisance of the links between market information and the potential benefits that could be generated;

– **lack of an appropriate skills base** (imperfect competition /market power):

- appropriate marketing, presentation and negotiation skills to provide major retailers with an understanding of their products' unique selling points continues to act as a barrier to smaller, niche artisan companies being listed at the Scottish and UK level. Companies of this scale, often with less than 10 employees, do not have internal teams to deal with such issues compared with bigger concerns;

– **lack of awareness and understanding of buyers and markets** (information failures):

- the ability to be listed varies according to the policy of the multiples – a listing with one does not guarantee a listing with another. In addition, some companies are still focusing on achieving a listing with an inappropriate buyer in terms of their internal capacity and capability to manage potential contracts. Thus there is a continued mismatch with regard to company size and the scale/volumes required by buyers, such as the major multiples

- there are more companies that have yet to participate in the UK PMD project and have the same issues with trying to enter appropriate markets in order to secure listings and generate sales; and

– **nature and complexity of the marketplace** (the following bullet points related to information failures, imperfect competition/ market power and externalities respectively):

- there is still a tendency for companies to treat the foodservice and retail markets the same, when in reality the process required to enter these markets and the contacts to be made are very different
- there is a continual need for smaller more niche artisan type companies to gain support in order to offer a point of difference to retailers. By definition, these smaller companies do not have access to the resources, skills, finance, etc required to develop and offer such a point of difference to their products, unlike the bigger food and drink companies
- the current economic downturn could have positive and negative implications for food and drink companies:
  - more people are spending more on luxury, high quality, products to consume at home, which offers an opportunity to meet such customer demand through the retail market
  - sales of high quality speciality foods could be hit as consumers alter their shopping patterns by trading down through incremental shifts between retailers. For instance, shoppers may now go to Morrisons when they previously shopped in Sainsbury's. In addition, such activity driven by the need to achieve value for money may result in shoppers buying the multiples' 'own labels' rather than branded products.

2.6 UK PMD Project Monitoring Data

2.6.1 Project Approval

Scottish Enterprise's UK Premium Market Development project was awarded £600,000 of funding for the period April 2005 until March 2007. Over the two-year period, the project sought to achieve increased sales of £2.6m and also had the following four broad areas of activity:

– provision of market information and awareness raising activities around the growth opportunities within UK premium markets;

– targeted support to up to 25 account and client managed companies per year to develop their knowledge and skills in the retail and foodservice;

– working with five retail and four foodservice operators on an account managed basis, developing action plans and delivering joint activity to achieve increased sales; and

– working with partners on joint delivery to support market development.

Further approval was sought in late 2006 to extend the project timescales for a further two years from April 2007 until March 2009, or until the original £600,000 budget became fully committed. At the time of seeking further approval, project spend was estimated at £320,000.

2.6.2 Progress Against Targets

Despite the under spend mentioned above, the progress against targets in the initial two years was seen to be extremely positive and as a result targets were revised upwards in the second approval paper. **Table 2.2** reports the initial targets; and the progress towards these in the first two years of implementation.

Table 2.2: Initial and Revised Targets: Progress to Date (Dec 06)

Original Target	Achievement to Dec 06
£2.6m additional gross sales	£2.44m
100 additional new listings	304
80 Companies benefiting from awareness raising events	150
9 Account plans established	6
Upskilling personnel within 50 organisations	17

Source: Gross SE Monitoring Data, SE Approval Paper, December 2006

Two of the five initial targets were exceeded quite significantly with achievement rates of 304% and 187.5% for 'new listings' and 'companies benefiting form awareness raising events' respectively. In terms of 'additional sales', this was 94% achieved, while the target for 'account plans established' was 67% achieved.

The target with the least achievement in December 2006 was the 'upskilling of personnel within 50 organisations', with this being only 34% achieved. As a result, this was the only one of the five original targets to remain unchanged for the second period of the project.

Table 2.3 below outlines the progress to date with regard to achievement against the revised targets set two years ago. It should be noted that further to discussions with the Client Steering Group at the study's Learning Workshop, it was decided to remove the listings target. The reasons for this decision are as follows:

– by their very nature, listings are difficult to quantify and are open to interpretation; and

– the event evaluation evidence provided by companies indicated that listings had been achieved but in many instances was not quantified in terms of actual numbers.

Therefore, the key focus for the evaluation is on sustainable, profitable, sales generated as a result of UK PMD project participation.

The sales figures below have been taken from the evidence gathered for this study (as presented in detail in **Chapter 5**). The £12.2m of gross realised sales (grossed up to the total population and within a confidence interval of +/-16.9%) includes an outlier. This outlier was excluded from the economic impact assessment to avoid skewing the results.

The sales target figure is slightly ambiguous as it refers to 'additional sales' as opposed to gross sales. The economic impact analysis provides a range of net additional realised sales, grossed up to the total population, as a consequence of project participation and we have included these findings in **Table 2.3** for completeness.

Overall, with regard to the gross impacts, the additional sales target of £5.6m has been exceeded by £6.6m and account plans by two.

To address gaps in the more qualitative target information reference has been made to the evaluation evidence provided by the delivery agents further to delivery of all the UK PMD project interventions.

With regard to the qualitative targets, around 165 companies benefited from attendance[7] at the UK PMD awareness raising events – 66% of the proposed target. However, if the target focused on benefits from event participations and not by company, then benefits would have been achieved for 433 participants, as many companies derived different benefits depending on the event, exhibition or one-to-one support programme/workshop attended. Finally, 78% of the accumulative target with regard to upskilling personnel has been achieved.

Overall, the UK PMD project has exceeded (significantly so with regard to gross sales) the quantitative targets set in 2006 and is showing satisfactory progress towards achieving the proposed qualitative targets.

[7] This information was derived from an upfront question which asked the companies if the event was very worthwhile, worthwhile, not sure, of little benefit. Therefore, due to the mix of terminology used, we have assumed that the very worthwhile/worthwhile score indicates that the companies had benefited from attendance.

Table 2.3: Revised Targets and Progress to Date

	Achievements to date		
Revised Accumulative Target to 2009	**Gross impacts (realised by 08/09)**	**Grossed up net additional impacts (realised by 08/09)**	
		SE Area	**Scottish**
Quantitative Targets			
£5.6m additional sales	£10.1m - £14.3m	£2.3m - £3.3 m	£2.5m - £3.5m
14 Account plans established (i.e. with key market operators/retailers)	16*		
Qualitative Targets			
250 Companies benefiting from awareness raising events	165		
Upskilling personnel within 50 organisations	39		

Source: EKOS UK PMD Beneficiary Survey, February and March 2009 and SE Monitoring Data by Event.

* Market operators include: ASDA, Baxter Storey, Caledonian MacBrayne, Co-op, David Sands, Dobbies, Fife Creamery, Harrods, Harvey Nichols, Marks and Spencer, NISA Today's, Northlink Ferries, Sainsbury's, Waitrose, Whole Foods Market and 3663.

In order to improve the future monitoring of the UK PMD project, it is suggested that the post event evaluation reports across all of the project's interventions include standard questions that link directly to the project's target information. As noted in the footnote on the previous page, such standard questions should also use a scoring scale that does not mix terminology.

3. Consultations

3.1 Introduction

A crucial component of our approach to this study was to engage with the SE and HIE Food and Drink Team representatives, SF&D and the five agents charged with the management and delivery of discrete elements of the UK PMD project, as detailed in **Appendix 3**. In total we undertook 11 consultations.

The discussions with consultees on issues with regard to market failure and strategic fit, contribution to the former and emerging strategic documentation has been reported in **Chapter 2**. The findings highlighted in this chapter are centred on the following key issues:

- the UK PMD project's success to date, with a particular focus on customer satisfaction;
- further to project delivery, what has worked and what has not worked and could be improved, with a focus on management processes, communications and reporting responsibilities;
- opportunities for further development of the project in future;
  - overall support provision for the UK PMD project
  - potential to target specific food and drink companies in particular industry sub-sectors, such as meat and fish
  - the role of SE, HIE and SF&D with regard to the future project contributing to the longer-term industry strategy
  - improvements to the overall support provided, including delivery mechanisms and processes
  - the resource implications of such a role for SE, HIE and SF&D;
- views on an appropriate future exit strategy and proposed timescale for this.

It should be noted that not all consultees had to respond to all the questions. For example, it was not deemed appropriate to ask the delivery agents to respond to the detailed question with regard to management processes as they would effectively be evaluating their own activities.

We present a composite reports below with regard to the responses from the SE, HIE and SF&D staff and one for the UK PMD delivery agents, where the sub-headings identify the issues where a response was sought.

3.2 SE, HIE and SF&D Staff

3.2.1 Success of the UK PMD Project

In general the project was viewed as a success through focusing on the needs of the food and drink industry in Scotland and responding to some of the requirements and to the demands of the market through this specific intervention.

From the post event, exhibition and targeted support evaluation evidence it is apparent that the project has opened more doors for food and drink companies based in both the SE and HIE areas. This has resulted in new opportunities with large retail multiple[8] and foodservice businesses, which in turn has increased participant company sales and employment, through project participation.

In terms of customer satisfaction, we will focus on the findings highlighted in **Chapter 4** coupled with project evaluation evidence by event. However, there was a consensus that the majority of participant companies have been satisfied with the project and its principal aim to build capability within Scottish food and drink companies to help them fully exploit the opportunities that exist within the UK retail and foodservice markets. In particular, the targeted one-to-one support delivered through the excellence programmes and workshops has delivered good value to the companies, although that said, there is an appreciation that it is a constant challenge to get food and drink companies to take advantage of and commit themselves to participate in supplier excellence programmes from both the retail and foodservice perspective.

3.2.2 What has Worked

The targeted support element of the UK PMD project has worked well, with substantial projected outputs, particularly for the Foodservice Excellence Programme (see details in **Section 3.3** below).

The Speciality & Fine Food Fairs (London) have provided companies with the ability to take advantage of being part of the Scottish Pavilion which offered opportunities for attendees to raise the company profile and to network with other companies from Scotland and elsewhere. Indeed, there is now an appetite for participants to use the project as a springboard to develop contacts, listings and sales with buyers in European and other international markets. The weak £/€ and £/$ exchange rates currently offer a comparative advantage in terms of price for high quality Scottish food and drink products.

The sheer volume of Meet the Buyer and Buyer Briefing events delivered over the duration of the project has enabled companies to secure listings and sales, but in some cases more importantly, to gain an understanding

[8] Symptomatic of market demand.

of the appropriate markets and buyers it has the capacity and capability to supply.

With regard to the management of the project, the partnership arrangement with HIE and delivery through third party contractors has tended to work well. The managing agents appointed have been very knowledgeable about the food and drink industry in general and have also had specific expertise to be able to deliver targeted support programmes. However, as it is anticipated that SF&D will be delivering the one-to-many support elements of the projects going forward, there is a requirement for SF&D to foster and develop the good strategic relationships previously established with major retailers and foodservice businesses and the relationships established with participant companies.

3.2.3 What has Not Worked and Could be Improved

The main area for improvement is a requirement for more formal and structured follow-up with companies and buyers further to project participation. Whilst attempts were made via some of the delivery agents to collect this information approximately six months after the event, this needs to be a made a priority and collected in a robust way. In particular, such follow-up workshop activities should be undertaken about a year or so after UK PMD participation, to take account of the lead time required for actual sales to be realised for a company further to an initial listing by a buyer at an event. Such activity would assist with ongoing project monitoring to assess whether the secured listings had actually led to the anticipated level of sustainable and profitable sales into the longer term.

3.2.4 Opportunities for Further Development of the UK PMD Project

Targeting of Food and Drink Industry Sub-sectors

Consultees were very clear that any specific targeting of food and drink industry sub-sectors, such as meat and fish, would only be done further to industry demand brought to the attention of trade organisations/levy bodies Quality Meat Scotland and Seafood Scotland respectively. In particular, this issue would need to be discussed by the SF&D Reputation Working Group as part of the Market Penetration Strategy development where such partners and stakeholders are represented, to ensure all activity is conducted through a co-ordinated and cohesive approach.

However, consultees recognised that there is a requirement to extend the scope of the project beyond major retailers/multiples with a focus on opportunities such as food tourism[9]. In addition, as a consequence of the current economic downturn, due cognisance must be given to changing consumer patterns. For example, at present there is a tendency for people to eat out less, but to indulge in more luxury foods for eating at home. Thus companies, particularly the more artisan and high quality

[9] As outlined in the pipeline projects within the SE Industry Demand Statement in response to the GES.

niche producers, need to consider the positive opportunities such changes in market demand signal for them.

Role of SE, HIE and SF&D

As noted earlier in the report, it is anticipated through the SF&D Market Penetration Strategy that SE (and HIE as appropriate) will continue to deliver on the one-to-one targeted support offered via the UK PMD project. Such support, as that delivered through the excellence programmes, will continue to play an important part in order to increase participant companies' capabilities to build on opportunities to serve appropriate markets. It is expected that SF&D will deliver on the one-to-many events and exhibitions.

It was viewed that SE/HIE should become more involved in the preparatory follow-up and aftercare work with designated growth companies in order to assist with driving the growth and competitiveness of such businesses forward. However, there is also a need (via the Market Penetration Strategy) for SF&D and partners to adopt a filtering process to ensure that as many companies as possible can potentially benefit from some level of project support.

The role of SE with regard to its contribution to the longer-term SF&D Market Penetration Strategy has been discussed in detail in **Chapter 2**.

Resource Implications

The resource implications for delivering the UK PMD project in future will depend on the evidence presented in this report. However, in general the one-to-one delivery component for the SE is estimated to be around £600 per day to deliver for about five to six days, a total of approximately £3,500 per intervention which is anticipated to entail a spend of £70,000 to £100,000 per annum.

Two staff have now been employed by SF&D to deliver the Interim Access to Markets Programme element of the UK PMD project until September this year when the three-year Market Penetration Strategy will be launched.

3.2.5 Exit Strategy

There was a consensus that given the elements of market failure still to be addressed (as noted in **Chapter 2**) there is a requirement for a three-year SF&D Market Penetration Strategy. SE/HIE has already partially exited from the UK PMD project with the one-to-many support now being delivered by SF&D. There will always be new companies in the pipeline in need of support, but SE's/HIE's role will be aligned to our refocused strategy in terms of one-to-one company support.

For the vast majority of the companies interviewed for this study, participation was either partially or fully additional suggesting that the UK PMD project is still providing valuable support that companies would not have had in the absence of the project.

3.3 Delivery Agents

3.3.1 Success of the UK PMD Project

It is not surprising that the majority of delivery agents felt that the UK PMD project has been a success and satisfied customer requirements.

In general the Meet the Buyer, Buyer Briefing and Speciality & Fine Food Fair events/exhibitions were viewed as a success, as detailed in **Section 3.3.2**.

With regard to the targeted support the following successes have been reported:

- Retail Supplier Excellence Programme – according to the delivery agent's internal monitoring activities, some companies have doubled their listings and increased their turnover five-fold. In addition intangible benefits were highlighted in terms of how companies are more confident in their dealing with major retailers and are willing to take the necessary steps to alter their strategic and market focus, aims and practices to the benefit of the business;

- Foodservice Excellence Programme - project participation was expected to increase turnover by over £3.5 million[10], spread over nine companies, by December 2008; and

- Market Information Pilot with information provider TNS - has helped some companies win new business, but there has been a reliance on the individual to be able to absorb and apply the information provided within the business.

3.3.2 What has Worked

The key elements of the UK PMD project that delivery agents felt have worked are as outlined below:

- company networking and sharing of experience and knowledge afforded by participation on Meet the Buyer, Buyer Briefing and Speciality & Fine Food Fairs – in addition to success by some in terms of sales secured;

- targeted one-to-one support through discrete workshop /excellence programme type of interventions; and

- an element of project flexibility to allow for tailored one-to-one support for participant companies which may incur different approaches.

[10] Assuming food inflation of 5% per annum and organic growth of 3% per annum (i.e. growth that would have happened anyway).

3.3.3 Opportunities for Further Development of the UK PMD Project

What has Not Worked and Could be Improved

There are a number of areas that were viewed by delivery agents as not working well with suggested improvements going forward (with a focus on delivery mechanisms and processes), as presented below:

- buyers need to set specific criteria for selecting attendees for events such as Meet the Buyer – to help to manage companies' expectations; and
- elements of targeted support, as follows:
  - recruitment:
    - need to improve company targeting for discrete support
    - require individuals to commit to embedding learning within the business further to event attendance
    - better articulation of course benefits to encourage participation
    - rolling programme of events over a two to three-year period, with staggered entry dates;
  - feedback from events to be driven more by SE/HIE to improve objectivity of responses
  - duration of courses – longer period of time is required to improve the potential for results/impacts to be realised
  - careful consideration needs to be given to the balance between charging companies to participate in workshop sessions and the level of company buy-in and commitment that can be attained due to a cost being incurred;
- although viewed as working by some, there is still a need to tailor support as closely as possible to company requirements to ensure maximum success;
- better integration of the various elements of the project to improve the awareness of UK PMD interventions as a whole;
- follow-up workshops a year or so after the events/exhibitions (mirroring issue raised by public sector consultees):
  - to confirm if benefits achieved and if company activity continues to be appropriately focused in relevant markets
  - also consult buyers to understand if their expectations have been met; and
- provide introductory seminars (10 to 20 companies) to improve selection and recruitment of appropriate food and drink companies, particularly in the case of one-to-one excellence programme support.

Resource Implications of Improvements

It was viewed that the resource implications of doing some upfront company pre-selection and filtering activities coupled with follow-up activities post intervention would be minimal. This approach was beneficial for companies with regard to attendance on the Foodservice Excellence Programme, where a mutual decision was made at the outset that it was not appropriate for specific companies to participate at that time.

Although project costs will be incurred through developing a three-year rolling programme with more tailored support, if selection is more rigorous, there could be some scope to reclaim a greater element of the costs from participants.

Targeting of Food and Drink Industry Sub-sectors

There needs to be a flexible response around this issue, where the focus should be on the type of market, logistics and route to markets rather based on food and drink product type.

However, for the foodservice market it was a deemed that there is some merit in adopting a targeted industry sub-sectoral approach.

Overall Support Provision of the UK PMD Project

There is room for this project to continue to support one-to-one and one-to-many interventions via the development of a co-ordinated Market Penetration Strategy that links and supports the roles of the different partners and stakeholders.

4. Beneficiary Survey Results

4.1 Introduction

One of the main components of this study was to obtain feedback from companies that had attended events/exhibitions and targeted support delivered through the UK PMD project as presented in this chapter.

This evaluation focused on SE area based food and drink companies only. We intended to gain the following level of responses:

- 25 interviews with participant companies that had been in receipt of targeted support through the UK PMD project; and

- 40 interviews with participant companies that had attended events and exhibitions.

Given the tight timescale for the delivery and completion of this evaluation, all company interviews were conducted by telephone.

Despite contacting companies on average between three to five times from the population of 162 companies, in the short time afforded to this study we only managed to achieve 28 completed interviews – a response rate of 17%. As companies attended a wide mix of events, exhibitions and targeted support programmes, we managed to gain responses from seven companies that had been in receipt of targeted support and 26 companies that had participated in the various events and exhibitions delivered through the UK PMD project.

A detailed explanation with regard to the realised low response rate is presented in the Post Survey Report in **Appendix 1**.

4.2 Nature of Respondent Businesses

Encouragingly the 28 respondent food and drink companies were from a wide variety of food and drink sub-sectors and from a spread of locations across the SE area, i.e. from Aberdeenshire in the north east, to the central belt (east and west) down to Dumfries and Galloway in the south west of the region.

The type of respondent businesses were made up of:

- one self-employed businessman;

- three partnerships;

- 21 limited companies; and

- three other businesses: a co-operative, private company and social enterprise.

4.3 Respondent Companies' Attendance

Table 4.1 below highlights the events and exhibitions attended by respondent companies. As in general companies attended more that one event, etc, the proportion of attendance by event has been calculated as a percentage of respondent companies that attended each discrete event.

Table 4.1: UK PMD Project Attendance

Type of Event and Exhibitions	Number	% respondent companies (n=13)
Buyer Briefing		
Northlink (Feb 08)	5	38%
Dobbies (Nov 06)	3	23%
Co-Op (Jun 07)	3	23%
David Sands (Oct 07)	3	23%
Caledonian MacBrayne (May 06)	2	15%
Harvey Nichols (July 06)	1	8%
Harrods (May 05)	0	0%
Bespoke Foods- BB (Mar 06)	0	0%
Meet the Buyer	**Number**	**% respondent companies (n=20)**
NISA Today (Jun 08)	4	20%
Waitrose (Mar 06)	4	20%
Waitrose (Sep 06)	4	20%
Waitrose (May 08)	4	20%
Sainsburys (July 06)	2	10%
Sainsburys (Oct 06)	2	10%
David Sands (Nov 07)	2	10%
Northlink (Mar 08)	2	10%
ASDA (Nov 08)	2	10%
Whole Foods market (Feb 08)	2	10%
Fife Creamery (Jun 07)	1	5%
3663 (Oct 07)	1	5%
ASDA (Nov 07)	1	5%
Northlink (April 08)	1	5%
Waitrose - store visit (Jul 08)	1	5%
Waitrose (Jul 08)	1	5%
Marks & Spencer (Jun 07)	0	0%
ASDA (Aug 08)	0	0%
Other[1]	3	15%
Speciality & Fine Food Fair (London)	**Number**	**% respondent companies (n=3)**
SFFF (Sep 07)	3	100%
SFFF (Sep 06)	2	67%
SFD Pavilion SFFF (08)	1	33%
SFFF (Sep 05)	1	33%
Real Food Festival	**Number**	**% respondent companies (n=2)**
Real Food Festival (London 08)	2	100%

Source: EKOS UK PMD Beneficiary Survey, February and March 2009
Note 1:'Other'Meet the Buyer responses: Kroger Meeting (2008) and Frito Lait; Morrisons (2007); and Northlink (Feb 08).

With regard to targeted support attendance by respondent food and drink companies was as follows:

- three companies attended the Retail Supplier Excellence Programme;
- one company attended the Foodservice Supplier Excellence Programme;
- two companies attended workshop events: one at the Sales Workshop and the other at the Technical Workshop; and
- one company attended the Market Information Pilot project.

Given that the response level was so low for such targeted support, as appropriate we will refer back to the evaluation evidence provided by delivery agents post course delivery.

4.4 UK PMD Project: Awareness, Drivers, Benefits & Support

4.4.1 Awareness

Events and Exhibitions

Table 4.2, over outlines how the respondent food and drink companies based in the SE area first became aware of the range of events and exhibitions organised as part of the UK PMD project.

The most common way in which respondents to the Buyer Briefing and Meet the Buyer events became aware was via e-mail, 54% and 70%, respectively. This is followed by direct contact from SE representative(s), 31% and 30%, respectively.

The respondent companies that attended the Speciality and Fine Food Fairs became aware through three different ways: e-mail, direct contact from SE local area office and ‘other’. The one respondent that cited ‘other’ stated that they wanted to expand their brand.

Of the two respondent participants to the Real Food Festival, one became aware through the Scotland Food and Drink website, and the other via email.

Table 4.2: Initial Awareness of UK PMD Events/Exhibitions Attended (multiple responses)

	Buyer Briefing		Meet the Buyer		Speciality & Fine Food Fair		Real Food Festival	
	No.	% Respondent companies (n=13)	No.	% Respondent Companies (n=20)	No.	% Respondent Companies (n=3)	No.	% Respondent Companies (n=2)
Brochure	0	0%	0	0%	0	0%	0	0%
Newspaper	0	0%	0	0%	0	0%	0	0%
Scotland Food & Drink website	2	15%	2	10%	0	0%	1	50%
E-mail	7	54%	14	70%	1	33%	1	50%
Word of mouth	0	0%	0	0%	0	0%	0	0%
Radio	0	0%	0	0%	0	0%	0	0%
Direct contact from SE rep(s)	4	31%	6	30%	0	0%	0	0%
Made direct contact with SE rep(s)	0	0%	0	0%	0	0%	0	0%
Direct contact from SE local area office	0	0%	0	0%	1	33%	0	0%
Made direct contact with SE local area office	0	0%	0	0%	0	0%	0	0%
Another company	0	0%	0	0%	0	0%	0	0%
Other	2	15%	1	5%	1	33%	0	0%

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Targeted Support

It is not surprising given one-to-one nature of the targeted support, that respondent food and drink companies were initially approached by SE directly. The respondent business that participated in the Market Information Pilot project became aware of this project via the SF&D website.

4.4.2 Drivers for Company Participation

Events and Exhibitions

Table 4.3 identifies the principal reasons for respondent food and drink company participation at events supported and/or organised through the project. This analysis is useful to understand the key drivers for SE businesses participation in supported events and exhibitions.

The main reasons for respondent companies' participation at the Buyer Briefing events were:

- to seek new buyers/opportunities in the Scottish market (62%)
- to seek new buyers/opportunities in the rest of the UK market (62%);
- to seek new buyers/opportunities in the local market (54%);
- general relationship building with customers (62%);
- specific interest in targeting the buyer/organisation concerned (54%); and
- the buyer/organisation concerned represented a target market for my company/product (54%).

For respondent participants at the Meet the Buyer events, the main reason for attending were:

- to seek new business/opportunities in the rest of the UK market (70%);
- buyer/organisation concerned represented a target market for my company/product (65%);
- to seek new buyers/opportunities in the Scottish market (55%); and
- a specific interest in targeting the buyer/organisation concerned (55%).

All three respondent food and drink companies that attended the Speciality and Fine Food Fairs took part in order to seek new business/opportunities in the rest of the UK market.

There were a number of other reasons identified by two of the three respondents (67%), including:

- to seek new business/opportunities in the local and Scottish markets;

- the buyer/organisation concerned represented a target market for my company/product;

- general relationship building with customers; and

- increased understanding of and participation in the UK retail and foodservice markets.

Finally, both respondent participants to the Real Food Festival highlighted that the key reasons for attending were as follows:

- to seek new business/opportunities in the rest of the UK market; and

- the creation of a pavilion by SE/HIE for exhibiting our products offered the assistance and support the company required at that time.

Table 4.3: Reason for Participation at UK PMD Events/Exhibitions (multiple responses)

	Buyer Briefing		Meet the Buyer		Speciality & Fine Food Fair		Real Food Festival	
	No.	% Respondent cos (n=13)	No.	% Respondent cos (n=20)	No.	% Respondent companies (n=3)	No.	% Respondent Companies (n=2)
Seeking new buyer/business opportunities in:								
• the local market	7	54%	10	50%	2	67%	1	50%
• the Scottish market	8	62%	11	55%	2	67%	0	0%
• the rest of the UK market	8	62%	14	70%	3	100%	2	100%
• the European market	0	0%	1	5%	0	0%	0	0%
• the international market	0	0%	1	5%	0	0%	0	0%
Specific interest in targeting the buyer/organisation concerned	7	54%	11	55%	0	0%	0	0%
Buyer/ organisation concerned represented a target market for my company/product	7	54%	13	65%	2	67%	0	0%
Type of business opportunities:								
• general relationship building with customers	8	62%	10	50%	2	67%	0	0%
• long-term business relationships with key customers	6	46%	10	50%	2	67%	0	0%
• long-term deals with buyers	4	31%	8	40%	1	33%	0	0%
• more formal collaborations/joint ventures with buyers with regard to product diversification	1	8%	3	15%	1	33%	0	0%
• more formal collaborations/joint ventures with buyers with regard to new products	4	31%	6	30%	1	33%	0	0%
Acquired knowledge of buyer requirements and regulations, including quality standards	6	46%	9	45%	1	33%	0	0%
Increased understanding of and participation in the UK retail and foodservice markets	5	38%	9	45%	2	67%	0	0%

Table 4.3 (continued): Reason for Participation at UK PMD Events/Exhibitions (multiple responses)

	Buyer Briefing		Meet the Buyer		Speciality & Fine Food Fair		Real Food Festival	
	No.	% Respondent cos (n=13)	No.	% Respondent cos (n=20)	No.	% Respondent companies (n=3)	No.	% Respondent Companies (n=2)
Changed perception of the risk and reluctance to participate in the UK retail and foodservice markets i.e. Now less risk averse and more willing to participate in new markets	3	23%	4	20%	0	0%	0	0%
Identified key trends in the markets for our product(s)	n/a	n/a	n/a	n/a	2	67%	1	50%
Identified key competitors in our market(s)	n/a	n/a	n/a	n/a	1	33%	0	0%
Acquired knowledge of technological advances in the Food and Drink sector	n/a	n/a	n/a	n/a	0	0%	0	0%
The creation of a pavilion by SE/HIE for exhibiting our products offered the assistance and support the company required at that time	n/a	n/a	n/a	n/a	2	67%	2	100%
SE's/SF&D's facilitation role met my company's immediate needs	5	38%	5	25%	n/a	n/a	n/a	n/a
Was invited to participate in event but had no prior knowledge of buyer/organisation	3	23%	6	30%	0	0%	0	0%
Other	2	15%	3	15%	1	33%	0	0%

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Targeted Support

The main reasons for respondent companies deciding to participate in targeted support are as outlined below:

- Retail Supplier Excellence Programme:
  - looking to increase the export side of the business
  - to grow the business – make contacts
  - to become more experienced and professional in what we do;
- Foodservice Excellence Programme:
  - increase sales in the foodservice sector
  - increase understanding of the foodservice sector;
- Workshops:
  - learn more about the sales side of the business
  - learn more about the technical requirements of large multiples; and
- Market Information Pilot project:
  - to grow the business.

4.4.3 Benefits Derived further to Participation

Events and Exhibitions

Table 4.4 below shows the benefits that respondent food and drink businesses have derived following participation at the events/exhibitions through the UK PMD project.

The main benefits derived by respondent businesses following participation at Buyer Briefing and Meet the Buyer events are:

- better at business-to-business networking (69%); and
- increased knowledge and understanding of market(s) and the key players in the market(s) (60%).

For participants to the Speciality and Fine Food Fairs (S&FFF), the main benefits, as identified by all three participants, are:

- increased listings/sales with the buyer/organisation concerned;
- more aware of the benefits from increased profile of the company from attendance;
- better able to develop business opportunities with new key customers in the long term; and

- helped my company gain better access to targeted buyers/organisation in these markets.

The main benefit identified by the two respondent participants of the Real Food Festival was:

- the creation of a pavilion by SE/HIE for exhibiting our product, complete with support and assistance, offered good value for money.

Table 4.4: Benefits Derived Following Participation at UK PMD Events/Exhibitions (multiple responses)								
	Buyer Briefing		**Meet the Buyer**		**Speciality & Fine Food Fair**		**Real Food Festival**	
	No.	**% Respondent companies (n=13)**	**No.**	**% Respondent Companies (n=20)**	**No.**	**% Respondent companies (n=3)**	**No.**	**% Respondent Companies (n=2)**
Increased listings/sales with the buyer/organisation concerned	2	15%	7	35%	3	100%	1	50%
More aware of the overall business benefits to be gained from attendance at BB events	6	46%	9	45%	2	67%	1	50%
More aware of the benefits from increased profile of the company from attendance	8	62%	8	40%	3	100%	1	50%
Better at follow-up with new contacts made	6	46%	8	40%	2	67%	1	50%
Better able to develop business opportunities with new key customers in the long term	5	38%	7	35%	3	100%	0	0%
Better able to negotiate with buyers	3	23%	6	30%	0	0%	0	0%
better able to develop longer-term, collaborative relationships with buyers	4	31%	6	30%	1	33%	0	0%
Better able to develop longer term deals with buyers	2	15%	3	15%	0	0%	0	0%
Better at business-to-business networking	9	69%	12	60%	1	33%	0	0%
Increased knowledge and understanding of market(s) and the key players in the market(s)	9	69%	12	60%	2	67%	1	50%
Generally more knowledgeable with regard to the key trends in the food and drink sector	5	38%	6	30%	2	67%	1	50%
More aware of key competitors in your market	6	46%	7	35%	2	67%	1	50%
More knowledgeable of buyer requirements and regulations, including quality standards	8	62%	11	55%	0	0%	0	0%
Helped my company gain better access to targeted buyers/organisation in these markets	5	38%	8	40%	3	100%	1	50%

Table 4.4 (continued): Benefits Derived Following Participation at UK PMD Events/Exhibitions (multiple responses)

	Buyer Briefing		Meet the Buyer		Speciality & Fine Food Fair		Real Food Festival	
	No.	% Respondent companies (n=13)	No.	% Respondent Companies (n=20)	No.	% Respondent companies (n=3)	No.	% Respondent Companies (n=2)
Provided a cost effective route to meet the right buyers	7	54%	9	45%	2	67%	1	50%
The creation of a pavilion by SE/HIE for exhibiting our product, complete with support and assistance, offered good value for money	n/a	n/a	n/a	n/a	2	67%	2	100%
Better able to embed learning from event participation directly into the business	7	54%	8	40%	1	33%	1	50%
General increase in business performance or achievements against objectives set or expectations prior to participation	4	31%	4	20%	2	67%	0	0%
Positive change in you attitude and/or behaviour at an individual level	4	31%	7	35%	1	33%	1	50%
Positive change in your attitude and/or behaviour at a company level	6	46%	8	40%	2	67%	0	0%
More likely to invest more time and money to attend future events	6	46%	7	35%	1	33%	1	50%
Other	0	0%	1	5%	0	0%	0	0%

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Targeted Support

The main benefits derived from respondent companies participating in targeted support are as outlined below:

– Retail Supplier Excellence Programme:

- more knowledge of market and status of customers
- making contacts with other manufacturers from the local area and new business opportunities;

– Foodservice Excellence Programme:

- candidate withdrew;

– Workshops:

- well put together - good experience and beneficial (handouts at the end would have been welcomed); and

– Market Information Pilot project:

- companies better able to present their case to the multiples and customers.

4.4.4 Evidence from Delivery Agent Evaluation Reports

Further to the Learning Workshop held in Aberdeen with the SE Study Steering Group, we recognised the concerns raised through the limited responses gained from companies with a particular focus on those that had attended the Retail Supplier Excellence and the Foodservice Excellence Programmes.

Retail Supplier Excellence Programme

The delivery agent's review in March 2006 reported that the programme has resulted in 17 new listings for the companies along with over £2.4 million of additional turnover attributable to the programme through both these new listings and also business development. In addition qualitative benefits were highlighted with regard to companies becoming more confident in their dealing with major retailers and more willing to take the necessary steps to alter their strategic and market focus, aims and practices to the benefit of the business. An additional benefit from the programme was the opportunity for networking as inter company contact was encouraged throughout, both formally and informally.

None of the participants provided any significant negative comments regarding the course or its content. Key learning points included:

– the need for flexibility is paramount; the programme was constantly refined as delegate situations, needs, knowledge and skills were assessed/upgraded;

– participants found that there was a real benefit from the course leaders having 'real world' experience. It enabled the facts to be related to reality, and the topics covered to be relayed in terms of success actually delivered. This made them relevant and applicable;

- knowledge and skills in sophisticated overall management, especially marketing, from the programme delivery personnel also proved critical, as the programme identified real needs in these areas; and

- benchmarking measures and values should not be set up prior to commencement of the programme, since the initial workshops substantially changed the views of participants.

Foodservice Excellence Programme

The Foodservice Excellence Programme project participation was expected to increase turnover by over £3.5 million[11], spread over nine companies, by December 2008.

A survey of participants was run in July 2008 whereby approximately 75% of companies had gone through the programme. Findings from the survey included:

- participants more aware of opportunities for the development of their company within the foodservice sector;

- companies made good or reasonable improvements in their knowledge of the sector;

- participants more aware of the sales resources required to address the foodservice market and had acted to meet any shortfall;

- companies more confident in presenting to a foodservice buyer;

- participants had developed new products as a direct result of the programme; and

- all had agreed that the programme was sufficiently flexible for their needs in terms of time, availability and approach.

4.4.5 UK PMD: Complements/Integrates with other Support

Respondents were asked how the support through the UK PMD events, exhibitions and targeted support elements complemented or integrated with other public and/or private sector support, with a particular focus on other activities delivered by SF&D. The comments given, by event type, are discussed below.

[11] Assuming food inflation of 5% per annum and organic growth of 3% per annum (i.e. growth that would have happened anyway).

Buyer Briefing

In total, eight respondent businesses provided responses, as follows:

- no idea/never hear about SF&D (2);
- good complement and Buyer Briefings are one of the key events that eventually lead to new business (2);
- helps small companies concentrate on presentation rather than ‘admin leg work’;
- SF&D is brilliant;
- have a good relationship with long standing delivery agent and client manager at SE; and
- follow on from similar events run by SE (Grampian office).

Meet the Buyer

Fifteen respondent businesses provided a response, the most commonly cited included:

- don’t think they do/Meet the Buyer was a stand alone event (4);
- very good complement to SF&D/enabled me to meet the right people (3);
- useful way of linking business opportunities and therefore complements other public sector support; and
- see Meet the Buyer events as distinct from SE (Dumfries & Galloway office) and from SF&D involvement.

There were some other comments noted, including:

- don’t get any other public/private support;
- there was no support at the Waitrose MTB event, just drove to Edinburgh then back again; and
- there are lots of courses so it complements quite well, but at the end of the day it’s up to the buyer.

Speciality & Fine Food Fair

The responses with regard to the Speciality & Fine Food Fair all three respondent companies were as follows:

- helps promote national brands and products;
- Speciality & Fine Food Fair is a bit stand alone as is specialist/niche markets; and

- it fits well, no duplication. It allows you to negotiate your own potential sales increase.

Real Food Festival

The responses with regard to the Real Food Festival both respondent companies were as follows:

- we had the opportunity to interact with food aware consumers which was good for research; and

- good fit - member of SF&D and I go to their seminars and other events, which are great for contacts.

Retail Supplier Excellence Programme

The responses from all three respondent businesses were as outlined below:

- Retail Supplier Excellence Programme itself was one of the most useful activities; and

- good links with Grampian Food Forum and SF&D.

Foodservice Excellence Programme

For the one respondent food and drink company the Foodservice Excellence Programme was viewed as a stand-alone intervention which helped companies to understand the operation of the foodservice market.

Workshops

It was viewed by the one respondent business that answered this question that the workshop attended did not complement or integrate with other public and/or private sector support.

Market Information Pilot

For the one respondent business that attended the Market Information Pilot it was reported that the pilot was just a one part of the support that could be provided from by the public and/or private sector.

Summary

Overall from the comments made above the UK PMD project is viewed as unique but does complement other support delivered in the main by SE and SF&D.

4.4.6 Satisfaction with Delivery Agent

The overall level of satisfaction with the delivery agent involved with the delivery of the UK PMD project is reported in **Table 4.5** below. Companies scored the agent from very poor to excellent based on a list of pre-determined issues. Detailed satisfaction ratings by the various components of intervention under the UK PMD project are presented in **Appendix 4**.

Table 4.5: Overall Satisfaction Ratings of Support from Delivery Agent (% of responses)

	Score					
Issues	**Very poor**	**Poor**	**Average**	**Good**	**Excellent**	**Don't Know**
Responsiveness to enquiries	0%	2%	7%	64%	19%	7%
Consistency of meeting commitments	0%	7%	10%	55%	19%	10%
Technical ability and knowledge of staff	0%	0%	7%	63%	19%	12%
Level/degree of intervention	0%	0%	10%	57%	14%	19%

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

The extent to which the support delivered through the delivery agents met respondent companies overall needs under the various components of intervention of the UK PMD project is reported in **Table 4.6** below. Companies scored the agent from strongly disagree to strongly agree.

Table 4.6: Satisfaction Ratings of Overall Support (no. of responses = 44)

	Score					
UK PMD Components	**Strongly Disagree**	**Disagree**	**Neither / nor**	**Agree**	**Strongly Agree**	**Don't Know**
Buyer Briefing	1	1	1	7	2	
Meet the Buyer	1	1	3	11	4	
Speciality & Fine Food Fair				1	2	
Real Food Festival			2			
Retail Supplier Exc'l Programme				3		
Foodservice Exc'l Programme	1					
Workshops				2		
Market Information Pilot				1		
TOTAL	**7%**	**5%**	**14%**	**57%**	**18%**	**0%**

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Note: Percentages (subject to rounding) are based on the number of responses, noting that respondent companies attended more than one event etc. In addition, the respondent company with regard to the Foodservice Excellence Programme withdrew from the course.

It is encouraging to note that across all the components of the UK PMD project, the majority of respondents (75%) agree/strongly agree that the support they received met their company's needs.

4.4.7 Future Support

A range of issues relating to the future growth prospects and business development needs of respondent companies were also addressed within the evaluation survey. **Table 4.7** provides a summary of the future growth prospects by each type of UK PMD intervention identified by respondents.

Table 4.7: Future Growth Prospects for Respondent Food and Drink Companies

Responses	Very Poor	Poor	Average	Good	Excellent
Buyer Briefing	1		4	3	3
Meet the Buyer			4	11	3
Speciality & Fine Food Fair				2	
Real Food Festival				2	
Retail Supplier Exc'l Prog				1	1
Foodservice Exc'l Prog				1	
Workshops				2	
Market Information Pilot				1	

Source: EKOS UK PMD Beneficiary Survey February and March 2009.
N.B: Not all companies responded to this question.

It is encouraging to note that across all the components of the UK PMD project, future growth prospects for respondent companies are generally good, with some being excellent. Eight companies that participated in the UK PMD project (three of which were in receipt of targeted support[12]) are actively in the process of expanding their business into other growth markets, either within the UK or overseas (locations such as Ireland). However, the expansion activities were not directly attributable to project participation.

With regard to future support/advice through the UK PMD project there was a mix of responses. The specific areas of future support/advice noted by respondent food and drink businesses are as outlined below:

- training/assistance in sales and marketing (2);
- information on routes to market and approach to making appropriate contacts, particularly with the foodservice market (2);
- market research and trends with regard to the foodservice, export, health initiatives and other potential growth markets (3);
- more opportunities to meet with foreign buyers (3), with one respondent keen to establish links and listings with buyers from the Eastern European market;
- more Meet the Buyer and Buyer Briefing events with large multiples (especially TESCO and Morrisons) (2);

[12] One was involved with the Retail Supplier Excellence Programme, another the Foodservice Supplier Excellence Programme and the other with the Sales Development Workshop.

- support with regard to transport costs;

- repetition of events such as the Catering and Hospitality Forum;

- more events such as the current Sainsbury's development programme;

- vetting of companies by SF&D staff to assess those that are most suitable to attend Meet the Buyer and Buyer Briefing events; and

- assistance with marketing and sales.

The above issues provide the evidence base to support the future development of the UK PMD. In addition, respondent companies were asked if assistance for the ongoing funding and development of the UK PMD project, given the suggested issues for future development noted above, should be sought from the public sector and/or private sector. The overall findings for respondent food and drink companies were as follows:

- 39% - funding should come from both public and private sector sources, with an appreciation that such an approach was more appropriate at this time given the current economic climate coupled with limited public resources;

- 25% -funding support should be public sector led, with a particular focus on the role of SF&D; and

- 7% - felt that funding should be sourced solely from the private sector.

Aligned to the public sector funding focus suggested by one-quarter of our respondent food and drink companies, there are a number of areas were SE could provide more targeted support, such as assistance with training in sales and marketing and in particular, further support with information and potential entry to the foodservice market through the repetition and development of the Foodservice Excellence Programme.

4.4.8 Additional Comments

At the end of the questionnaire respondent companies were invited to provide any further comments on the UK PMD or aspects of the project. Many the comments were very positive with companies welcoming the experience and for some the benefits from participation on various components of the project. In addition there were also a number of other interesting comments made by individuals, unless otherwise stated, which are listed below:

- Meet the Buyer events were only ever successful when groups of buyers from specific multiples/companies attended;

- the role of SF&D is important to the manufacturers/suppliers based in Scotland, but there is an appreciation that SF&D needs resources to enable it to gain a better understanding of the scope and potential of Scottish companies across the supply chain in order to represent the industry more effectively;

- small and medium companies could and can no longer afford to exhibit at these prestigious events, even before the current credit crunch hit; and

- more events, such as Meet the Buyer and Buyer Briefings, should be held outwith the central belt of Scotland.

5. Economic Impacts

The main objective of this study is to determine whether the UK PMD project has benefited participant food and drink businesses in terms of tangible measurable business benefits – with a particular focus on the impact on company performance data such as employment and sales.

This chapter details the impact of the support delivered through the project in terms of gross attributable sales and attributable employment to net direct attributable sales and net attributable employment through the application of additionality, displacement, substitution, leakage and multiplier effects at the SE area and Scottish levels.

5.1 Method

The method adopted to calculate the economic impact – or additionality - of the UK PMD project is consistent with SE guidance[13]. The guidance recognises that most SE interventions will have both positive and negative effects. In evaluating the effects of an intervention, it is important that all of these are taken into account in order to assess the additional benefit or additionality of the intervention – in other words, the net changes that are brought about over and above what would have taken place anyway. The additional benefit of an intervention is the difference between the reference case[14] position (what would happen anyway) and the position when the intervention (intervention option) was implemented.

An initial assessment of the reference case and intervention option/s leads to the identification of the **gross direct effects**. These are the outputs from the reference case or intervention option. Following identification of the gross direct benefits, account is then taken of factors such as:

- displacement:
  - displacement is the proportion of intervention benefits accounted for by reduced benefits elsewhere in the target area. Displacement arises where the intervention takes market share (called product market displacement) or labour, land or capital (referred to as factor market displacement) from other existing food and drink businesses;
- substitution:
  - substitution arises where a business substitutes one activity for a similar one to take advantage of public sector assistance. It can be thought of as 'within business' displacement;

[13] *Economic Impact Assessment Guidance Note: A summary guide to assessing the additional benefit, or additionality, of an economic development project or programme*. SE 2007

[14] The reference case is the situation, in terms of benefits, that would occur if the intervention were not implemented.

- leakage:
  - leakage is the proportion of outputs that benefits those outside the project or target area; and
- multipliers:
  - economic benefits of an intervention are multiplied because of knock-on effects within the economy.

When these factors have been applied to the gross direct effects we are left with **net additional** economic impacts.

We have grossed up the results (using the proportion of total respondents (28) to the entire population (162) food and drink companies with the inclusion of confidence level calculations as articulated in the recent 'SE Economic Impact Assessment Guidance Note'. **The confidence interval for a sample of 28 from a total population of 162 is +/-16.9%**.

5.2 Economic Impact Measures

5.2.1 Introduction

This section details the impacts in terms of:

- gross employment (FTEs);
- gross sales/turnover;
- deadweight (non-additionality);
- leakage;
- displacement;
- substitution;
- multiplier effects;
- net additional sales/turnover;
- net additional jobs (FTEs); and
- gross value added (GVA).

5.2.2 Gross Levels

Employment

Outlined in **Table 5.1** are details of the past, current and anticipated gross employment for the 28 respondent companies.

Table 5.1: Past, Current and Anticipated Gross Employment (FTEs) (28 responses)

	2005/2006	Current	By 2011/2012
Gross employment	1,055.75	1,210.75	1,333.75
Average employment	37.70	43.24	47.63

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

As shown in **Table 5.1** gross employment has increased by 14.7% over the last three years and is anticipated to rise by 10.2% over by 2011/2012.

As a result of UK PMD participation the gross employment on a financial year basis for the duration of the project is as depicted in **Table 5.2**.

Table 5.2: Gross Employment as Result of Project Participation (FTEs)

	05/06	06/07	07/08	08/09	11/12
Created	0.5		3	1	10.5
Safeguarded		2.25			

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Only five out of 28 respondent food and drink businesses could attribute gross employment to project participation; the remaining 23 said that involvement in the programme had had no impact on employment levels. For these five businesses employment ranges and grossed up[15] ranges are as detailed in **Table 5.3**.

Table 5.3: Gross Employment (Created and Safeguarded) as Result of Project Participation (FTEs)

Financial Year	Gross Employment	Grossed up to Total Population
05/06	0.42 FTEs - 0.58 FTEs	2.40 FTEs - 3.38 FTEs
06/07	1.87 FTEs - 2.63 FTEs	10.82 FTEs - 15.22 FTEs
07/08	2.49 FTEs - 3.51 FTEs	14.42 FTEs - 20.29 FTEs
08/09	0.83 FTEs - 1.17 FTEs	4.81 FTEs - 6.76 FTEs
Total realised	5.61 FTEs – 7.89 FTEs	32.45 FTEs – 45.65 FTEs
11/12 (total anticipated)	8.73 FTEs - 12.27 FTEs	50.48 FTEs - 71.02 FTEs
Overall Total	**14.33 FTEs – 20.17 FTEs**	**82.94 FTEs – 116.67 FTEs**

Source: EKOS UK PMD Beneficiary Survey, February and March 2009
Note: Figures presented in **Table 5.3** subject to rounding.

[15] Grossing up by approximately 5.8 times (i.e. 5.78571) given that we received 28 responses from a total population of 162 participant food and drink companies.

Sales

Table 5.4 presents the details of the past, current and anticipated gross sales for respondent companies.

Table 5.4: Past, Current and Anticipated Gross Sales (28 responses)			
	2005/2006 (23 responses)	**Current (25 responses)**	**By 2011/2012 (23 responses)**
Gross sales	£63,432,000	£84,825,000	£103,487,500
Average sales	£2,844,870	£3,393,000	£4,499,457

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Table 5.5 outlines the details of gross sales noted by respondent companies as a result of UK PMD project participation over the duration of the project. In order to get a truer picture of gross sales for other non-respondent companies[16], we have also included sales evidence in **Table 5.5** taken from the each discrete post event evaluation prepared by the relevant delivery agent.

Therefore, potential gross sales taking into account the evidence from the study and from event evaluation reports is £11.9 million which has been grossed up to give £72.6 million.

However, for the economic impact analysis we are only able to use the gross data collected from respondent companies along with information on their competitors, benefits derived from the event that would not otherwise have realised, etc in order to derive estimates of displacement, additionality, etc to be applied in the gross to net economic impact calculations.

Only nine of the respondent companies could demonstrate that sales had actually increased further to project participation; the remaining 19 said that involvement in the project had had no impact on the level of sales. With reference to **Table 5.5**, total realised sales of £2.1 million grossed up to the total population gives £12.2 million and total anticipated sales by 2011/2012 are £3.4 million, an overall total of £15.6 million of sales. However, one company had a large volume of sales compared with the other companies, so these sales have been excluded from the analysis to avoid distorting the final impacts. Therefore, total realised sales grossed up to the total population to be applied in the impact analysis are £7.57 million and total anticipated sales by 2011/2012 are £1.65 million, an overall total of £9.22 million of sales.

[16] This will also included sales in evaluation reports for respondent companies that were not noted during our discussions. The economic impact assessment only takes into consideration the sales figures reported to us by respondent companies.

Table 5.5: Gross Sales as Result of Project Participation (£)

	05/06	06/07	07/08	08/09	Realised Sales	11/12	Total
Gross sales (survey)	129,000	288,000	1,073,500	618,500	2,109,000	585,000	2,694,000
Grossed up sales (total pop)	746,357	1,666,286	6,210,964	3,578,464	12,202,071	3,384,643	15,586,714
Gross sales (event evals)[2]	3,740,000	1,459,857	223,227	3,535,246[3]	8,958,330	212,000	9,170,330
Grossed up (total pop)[4]	23,241,429	9,071,969	1,387,196	21,969,029	55,669,622	1,317,429	56,987,051
Potential gross sales	3,869,000	1,747,857	1,296,727	4,153,746	11,067,330	797,000	11,864,330
Potential grossed up sales	**23,987,786**	**10,738,254**	**7,598,161**	**25,547,493**	**67,871,694**	**4,702,071**	**72,573,765**
Gross sales (exc outlier)	129,000	88,000	773,500	318,500	1,309,000	285,000	1,594,000
Grossed up sales	746,357	509,143	4,475,250	1,842,750	7,573,500	1,648,929	9,222,429

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Notes:

1. We excluded any matching gross sales for respondent companies to avoid double counting.
2. Gross sales from all event evaluation reports made available during the study.
3. This figure has taken account of an element of additionality and has been inflated to 2008 prices.
4. It should be noted that the event evaluation reports included a further 12 companies excluded by SE Survey Control from the main survey population. Thus the gross sales figures from event evaluations have been grossed up by just over six times to take account of the slight increase in the population of companies.

The sales ranges for the eight food and drink businesses is shown in **Table 5.6**.

Table 5.6: Gross Sales as Result of Project Participation (£)		
Financial Year	**Gross Sales**	**Grossed up to Total Population**
05/06	£107.2k - £150.8k	£1,235.6k - £1.738.2k
06/07	£73.1k - £102.9k	£423.1k - £595.2k
07/08	£642.8k - £904.2k	£3,718.9k - £5,231.6k
08/09	£264.7k - £372.3k	£1,531.3k - £2,154.2k
Total realised	£1,087.8k - £1,530.2k	£6,293.6k - £8,853.4k
11/12 (total anticipated)	£236.8k - £333.2k	£1,370.3k - £1,927.6k
Overall Total	**£1,324.6k - £1,86.3.4k**	**£7,663.8k - £10,781k**

Source: EKOS UK PMD Beneficiary Survey, February and March 2009
Note: Figures presented in **Table 5.6** subject to rounding.

Profit Levels

Respondent businesses were asked to assess how much profit could be attributed to UK PMD project participation. As shown in **Table 5.7** below, only four out of the 28 respondent food and drink businesses could attribute any change in profit; the remaining 24 said that involvement in the project had had no impact on profit levels.

Table 5.7: Gross Profits as Result of Project Participation (£)					
	05/06	**06/07**	**07/08**	**08/09**	**11/12**
Gross profits	58,000	24,000	31,920	18,125	25,000

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

The range of profit levels are as presented in **Table 5.8**.

Table 5.8: Gross Profits as Result of Project Participation (£)		
Financial Year	**Gross Profits**	**Grossed up to Total Population**
05/06	£48.2k - £67.8k	£278.9k - £392.3k
06/07	£19.9k - £28.1k	£115.4k - £162.3k
07/08	£26.5k - £37.3k	£153.5k - £215.9k
08/09	£15.1k - £21.2k	£87.1k - £122.6k
Total realised	£109.7k - £154.3k	£643.9k - £893.1k
11/12 (total anticipated)	£20.8k to £29.2k	£120.2k to £169.1k
Overall Total	**£130.5k - £183.6k**	**£755.1k - £1,062.2k**

Source: EKOS UK PMD Beneficiary Survey, February and March 2009
Note: Figures presented in **Table 5.8** subject to rounding.

Cost Savings

Only one company could attribute any cost savings as outlined in **Table 5.9** further to UK PMD project participation. The remaining 27 companies said that involvement in the project had had no impact on costs

Table 5.9: Gross Cost Savings as Result of Project Participation (£)					
	05/06	**06/07**	**07/08**	**08/09**	**11/12**
Gross Cost Savings			1,000	1,000	5,000

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Investment

Respondent food and drink companies were asked to assess how much investment (new or increased) could be attributed to UK PMD project participation. As shown in **Table 5.10** below, only four out of the 28 respondent food and drink businesses could attribute any change in investment – with all reported investment being an increase on current levels rather that entirely new investment. The remaining 24 respondent food and drink companies reported that involvement in the project had had no impact on investment levels.

Table 5.10: Gross Increased Investment as Result of Project Participation (£)					
	05/06	**06/07**	**07/08**	**08/09**	**11/12**
Gross increased investment	50,000	33,333	76,333	108,333	5,000

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

The range of increased investment levels are presented in **Table 5.11**.

Table 5.11: Gross Increased Investment as Result of Project Participation (£)		
Financial Year	**Gross Investment**	**Grossed up to Total Population**
05/06	£41.6k - £58.5k	£240.4k - £338.2k
06/07	£27.7k - £39k	£160.3k - £225.4k
07/08	£63.4k - £89.2k	£367k - £516.3k
08/09	£90k - £126.6k	£520.9k - £732.7k
Total realised	£222.7k - £313.3k	£1,288.5k - £1,812.6k
11/12 (total anticipated)	£4.2k - £5.8k	£24k - £33.8k
Overall Total	**£226.9k - £319.1k**	**£1,312.6k - £1,846.4k**

Source: EKOS UK PMD Beneficiary Survey, February and March 2009
Note: Figures presented in **Table 5.11** are subject to rounding.

5.2.3 Gross to Net Impacts

In order to progress from gross impacts it is necessary to take account of the factors discussed above that can detract from or enhance economic impact.

It should be noted that the detailed analysis of gross to net impacts for each discrete food and drink business and by financial year (using SE guidance) has been provided to the SE Client Steering Group under separate cover.

Deadweight

The level of deadweight relates to the level of business development that would have been undertaken without the UK PMD project.

When assessing the deadweight issue for each individual food and drink business, it became apparent that one out of the five respondent food and drink businesses that highlighted gross employment impacts due to the project would have increased employment anyway (100% deadweight). Likewise with regard to sales, a total of two out of the eight respondent companies would have realised increases in sales in the absence of the project (again 100% deadweight). Overall, the UK PMD intervention led to net additional employment impacts for four out of the 28 respondent companies and to net additional turnover impacts for eight[17] of the 28 food and drink businesses.

Deadweight realised from the survey fell within the ranges, as detailed in **Table 5.12** below

Table 5.12: Deadweight Applied for this Study

Level	Description	Deadweight
Low	The majority of the benefits were as a result of UK PMD project participation	10%
Medium	About half of the benefits were as a result of UK PMD project participation	50%
High	A high level of impacts were not as a result of UK PMD project participation	90%
Total deadweight	None of the impacts were as a result of UK PMD project participation	100%

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Leakage

Leakage is the proportion of outputs that benefits those outside the project or target area i.e. the SE area. Given the large geographical spread of the target area and the retentive nature of the employment impacts for this project, leakage was recorded as insignificant at the local and national level. Therefore, given that employment benefits are contained to people that reside in Scotland, and in particular to the local area where the company is based, we have assumed that the leakage factor is negligible i.e. zero.

Displacement

Our investigation of displacement considered those factors that would dilute the gross impact of any increases in business activity as a result of the support received from SE by project participants. It included collecting information on:

- location of major competitors; and

[17] Excluding the outlier company.

– current market conditions.

For many of the food and drink businesses the competition at the local level was reported as low. A large proportion of the current, and indeed future, competitors were deemed to be at the Scottish or UK levels.

In addition, respondents were asked to assess how they anticipated the market for their products growing by 2011/2012 compared with growth at present. The results are presented in **Table 5.13** below. It is encouraging to note that more participant companies intend to grow strongly and grow by 2011/2012, despite current economic conditions.

Table 5.13: Market for Respondent Food and Drink Company Products

	Currently		2011/2012	
	Responses	**% of respondent companies**	**Responses**	**% of respondent companies**
Growing strongly	4	14.3	6	21.4
Growing	13	46.4	16	57.1
Static	10	35.7	3	10.7
Declining	1	3.6	1	3.6
Declining strongly	0	0	0	0
Don't know	0	0	1	3.6

Source: EKOS UK PMD Beneficiary Survey, February and March 2009
Note: Percentage figures presented in **Table 5.13** are subject to rounding.

Substitution

Substitution arises where a business substitutes one activity for a similar one (such as recruiting a different job applicant) to take advantage of public sector assistance. For this evaluation this issue was deemed not applicable, given that public sector spend was focused on funding events, exhibitions and targeted company support. Therefore, for each food and drink business the substitution effect is zero.

Multipliers

The increase in economic activity as a result of the food and drink businesses being provided support by SE will have two types of wider impact on the economy:

- **supplier effect** (indirect effect): an increase in sales in a business will require it to purchase more supplies than it would have otherwise. A proportion of this 'knock-on' effect will benefit suppliers in the local and Scottish economies; and

- **income effect** (induced effect): an increase in sales in a business will usually lead to either an increase in employment or an increase in incomes for those already employed. A proportion of these increased incomes will be re-spent in the local and Scottish economies.

We have applied Type II multipliers[18] that are relevant to each discrete food and drink sector business as appended – applying employment multipliers for the job impacts and output multipliers for the sales impacts. These are Scottish level multipliers – local level multipliers are not available from official sources. From the nature of the respondent companies and the previous evaluation evidence we have assumed a fairly high level of supplier linkages within the SE area – approximately two-thirds of the Scottish level linkages.

5.2.4 Net Additional Employment & Sales

Net Additional Employment

Employment estimates relate to that derived through project participation. Applying deadweight, leakage, displacement, substitution and multiplier effects to the gross employment estimates in **Table 5.2**, gives estimated net direct additional employment impacts as outlined below:

– Local, SE, level: **13.0 FTEs**; and

– Scottish level: **11.0 FTEs**.

It should be noted that where evidence was provided, in particular with regard to created jobs, many of the posts were focused at women.

Net additional employment impacts (excluding deadweight) were only recorded for four food and drink businesses out of the total population of 162. Therefore net additional employment will be within the following ranges:

– net additional employment impacts are:
  - local, SE, level: 10.8 FTEs – 15.2 FTEs
  - Scottish level: 9.1 FTEs – 12.9 FTEs.

When grossing up, the net additional employment impacts for the project as a whole lie within the following ranges for the both the SE and Scottish area levels:

– net additional employment impacts:
  - local, SE, level: 62.5 FTEs – 87.9 FTEs
  - Scottish level: 52.9 FTEs – 74.4 FTEs.

In addition we have shown, as outlined in **Table 5.14** the breakdown of employment in terms of actual FTEs realised and those anticipated by 2011/2012 and the employment impacts relating to events/exhibitions and from targeted company support.

[18] http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/Input-Output/Tables2004Multipliers

Table 5.14: Net Additional Employment		
	Range of Net Additional Employment	
	SE	Scottish
Realised	9.6 FTEs – 13.5 FTEs	9.6 FTEs – 13.5 FTEs
Anticipated	52.9 FTEs – 74.4 FTEs	43.3 FTEs – 60.9 FTEs
Events/exhibitions	57.7 FTEs – 81.2 FTEs	48.8 FTEs – 68.7 FTEs
Targeted support	4.8 FTEs – 6.8 FTEs	4.1 FTEs – 5.7 FTEs

Source: EKOS UK PMD Beneficiary Survey, February and March 2009
Note: The FTE employment figures presented in **Table 5.14** are subject to rounding.

The grossed up net addition employment impacts per financial year over the duration of the UK PMD project are as outlined in **Table 5.15** below. It is important to note that due to rounding errors on an annual basis the figures presented are slightly less at the local level than the overall total. For reporting purposes we recommend using the total net additional employment impacts as presented in **Table 5.14** above.

Table 5.15: Net Additional Employment per Financial Year (grossed up)		
	Range of Net Additional Employment	
Financial Year	**SE**	**Scottish**
05/06	0	0
06/07	4.8 FTEs – 6.8 FTEs	4.8 FTEs – 6.8 FTEs
07/08	0	0
08/09	4.8 FTEs – 6.8 FTEs	4.8 FTEs – 6.8 FTEs
Total realised	*9.6 FTEs – 13.5 FTEs*	*9.6 FTEs – 13.5 FTEs*
11/12 (total anticipated)	48.1 FTEs – 67.6 FTEs	43.3 FTEs – 60.9 FTEs
Overall Total	**57.7 FTEs – 81.2 FTEs**	**52.9 FTEs – 74.4 FTEs**

Source: EKOS UK PMD Beneficiary Survey, February and March 2009
Note: The FTE employment figures presented in **Table 5.15** are subject to rounding.

Net Additional Sales

Applying deadweight, leakage, displacement, substitution and multiplier effects to the gross sales identified in **Table 5.5**, the estimates of net direct additional sales impacts obtained are as follows:

- local, SE, level: **£755,480**; and
- Scottish level: **£742,879**.

Net additional sales impacts (excluding the main outlier) were only recorded for eight food and drink businesses out of the total population of 162 companies. Therefore net additional sales will be within the following ranges:

- net additional sales impacts:

- local, SE, level: £627,804 - £883,156
- Scottish level: £617,332 - £868,426.

When grossing up, the net additional sales impacts for the project as a whole lie within the following ranges:

– net additional sales impacts:

- local, SE, level: £3,632,294 - £5,109,689
- Scottish level: £3,571,709 - £5,024,462.

The grossed up net addition sales impacts per financial year over the duration of the UK PMD project are as outlined in **Table 5.16** below.

Table 5.16: Net Additional Sales per Financial Year (grossed up) (£)

	Range of Net Additional Employment	
Financial Year	**SE**	**Scottish**
05/06	£491,991 - £692,102	£558,201 -£785,242
06/07	£300,044 - £422,083	£338,959 -£476,827
07/08	£1,078,207 - £1,516,755	£1,162,576 -£1,635,441
08/09	£456,623 - £642,350	£400,621 - £563,569
Total realised	*£2,326,864 -£3,273,291*	*£2,460,356 - £3,461,079*
11/12 (total anticipated)	£1,305,430 -£1,836,398	£1,111,353 - £1,563,383
Overall Total	**£3,632,294 -£5,109,689**	**£3,571,709 - £5,024,462**

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Table 5.17 outlines the breakdown of sales in terms of actual sales realised and those anticipated by 2011/2012 and the sales impacts relating to events/exhibitions and from targeted company support.

Table 5.17: Net Additional Sales

	Range of Net Additional Sales	
	SE	**Scottish**
Realised	£2.33m - £3.27m	£2.46m - £3.46m
Anticipated	£1.31m - £1.84m	£1.11m - £1.56m
Events/exhibitions	£3.26m - £4.59m	£3.17m - £4.46m
Targeted support	£0.37m - £0.52m	£0.40m - £0.57m

Source: EKOS UK PMD Beneficiary Survey, February and March 2009
Note: The sales figures presented in **Table 5.17** are subject to rounding.

5.2.5 Gross Value Added (GVA)

GVA is a simple but effective means of monitoring business performance and is included as one of the acceptable outputs for measuring the impact of business development projects.

In summary, the GVA figure for an area is derived from adding the total annual wage bill (net of income tax, national insurance and pension contributions) to the annual profit margin. Limited information was provided with regard to attributable profit from attributable sales further to UK PMD project participation. Therefore, to measure net attributable GVA we have used data (latest 2006) as outlined in the *Scottish Annual Business Statistics*, Scottish Government. Data is provided at the local authority level for the *manufacture of food products and beverages*. The estimated GVA as a result of the UK PMD project has been derived using the GVA per employee data provided at the local authority level which covers the SE area[19].

Applying the net additional employment impacts (grossed up to the total population) as noted above and reiterated below:

– net additional employment impacts:

  - local, SE, level: 62.5 FTEs – 87.9 FTEs
  - Scottish level: 52.9 FTEs – 74.4 FTEs.

This suggests that the UK PMD has generated net additional GVA of:

– £2.6 million to £3.7 million at the SE area level; and

– £2.3 million to £3.2 million at the national (Scottish) level.

5.3 Cost Effectiveness and Value for Money

The value for money assessment outlines the total public and private sector funding contributions to the UK PMD project costs since April 2005 and the associated leverage ratio. The leverage ratio can be used as a guide to assess the cost effectiveness of public sector spending on the UK PMD project.

The SE contribution of £600,000 has helped to assist 438 SE based food and drink company attendances at UK PMD events, exhibitions and targeted programmes since April 2005. This equates to an average level of financial support to SE based food and drink participant companies of £1,370.

[19] We have not discounted for the spirits element of 'beverages' as some of our companies with attributable impacts are involved in the whisky industry.

The resultant leverage ratios are as follows:

- SE area: £1 of public sector spend on the UK PMD project has generated between £4.41 and £6.20 of net additional GVA; and
- Scottish level: £1 of public sector spend on the UK PMD project has generated between £3.76 and £5.29 of net additional GVA.

We believe that these ranges are on par with other SE and other economic development agency evaluation evidence with a focus on similar types of support projects. In particular, for the Regional Development Agency Impact Evaluation, March 2009, by PwC[20] for Department for BERR[21] states that, "Across all interventions the annual impact on GVA resulting from jobs which have already been created or safeguarded is broadly equal to the cost, but if allowance is made for the expected persistence of these benefits, then every £1 of RDA spend will add £4.50 to regional GVA."

[20] PwC: PricewaterhouseCoopers LLP
[21] BERR: Business Enterprise and Regulatory Reform

6. Study Conclusions and Recommendations

6.1 Introduction

This chapter draws on the various elements of the work programme to present a brief set of conclusions. The conclusions are organised around the principal and specific objectives of the study which were to determine:

– the achievement of the objectives as defined in the SE approval paper;

– the extent to which the project objectives have been met (both qualitative and quantitative); and

– the outputs obtained via the project to date (primarily sales for companies in the UK premium markets).

To this end, the key components of this commission were to:

– review of the rationale for intervention;

– assess project objectives and targets achieved;

– assess project benefits including a detailed Economic Impact Assessment (as per HM Treasury Green Book Principles);

– assess the usage, quality and demand;

– assess the management and delivery;

– assess the fit and contribution to other SE activities and Priority Industry development; and

– assess the contribution to the equity and equalities agenda.

6.2 Conclusions

The conclusions from the evaluation to be considered for the Food and Drink UK PMD project going forward are outlined below.

6.2.1 Market Failure Rationale for Intervention

As noted in **Chapter 2**, the UK PMD project intervention has helped to address and alleviate market failures to an extent. These are as follows:

– **market/consumer information** – this has been addressed in the main with regard to participant SE based food and drink companies that have been in receipt of targeted support, particularly through the Retail Supplier and Foodservice Excellence programmes, the Market Information Pilot and Buyer Briefings. As a result of participation more companies now have an insight and understanding of their market, market trends, the behaviour of consumers through market segmentation into specific consumers groups (i.e. by age, class, etc) competitors and potential market opportunities (e.g. foodservice sector). In addition, SE took out a subscription to IGD's Retail Analysis and I-reports databases and also to the Caterfile database which were made available to food and drink companies with turnover of less than £10m, free of charge. The provision of these resources has also facilitated access to key market information;

- **access to buyers** – more companies are now more aware of the requirements of particular markets and the buyers in that market further to participation in specific Meet the Buyer and Buyer Briefing events. It is evident through the economic impact assessment element of this study that some progress that has been made through participant companies being included on buyer listings that have subsequently generated sales that would not have happened otherwise. In particular further to attendance at Meet the Buyer and/or Buyer Briefing events companies tend to be able to use this knowledge and act on potential market opportunities. Attendance at the Speciality and Fine Food Fairs and the Real Food Festival (both based in London) gave participant companies an ideal opportunity to market their products under a recognisable Scottish brand resulting in the overall support being greater than the sum of the discrete assistance given to individual participant companies; and

- **nature and complexity of the marketplace** – the evaluation evidence suggests that project participation has helped participant companies to diversify and to enter into the foodservice, as well as the retail market. The Foodservice Excellence Programme has been a main contributor to this given that five out of the eight SE based food and drink company participants have benefited directly from the knowledge and understanding gained on the foodservice market.

We can conclude that although progress has been made to address elements of the underlying market failures that justified the initial development and delivery of the UK PMD project; failures still exist. There is also an added complexity that failures tend to change in focus as the market changes. Therefore, the following market failure issues are still relevant for the UK PMD project going forward:

- **market information failures**:

  - market churn and development means that information failures are constantly renewed

  - the evidence suggests that there is still a number of companies, especially smaller SMEs, that lack the appropriate market information coupled with an understanding of the relevance and benefits (i.e. additional sustainable sales) that information can provide. There is still a perception that such information is costly with no due cognisance of the links between market information and the potential benefits that could be generated;

– **lack of an appropriate skills base** (imperfect competition /market power):

  - appropriate marketing, presentation and negotiation skills to provide major retailers with an understanding of their products' unique selling points continues to act as a barrier particularly for smaller, niche artisan companies being listed at the Scottish and UK level. Companies of this scale, often with less than 10 employees, do not have internal teams to deal with such issues compared with bigger concerns;

– **lack of awareness and understanding of buyers and markets** (information failures):

  - the ability to be listed varies according to the policy of the multiples – a listing with one does not guarantee a listing with another. In addition, some companies are still focusing on achieving a listing with an inappropriate buyer in terms of their internal capacity and capability to manage potential contracts. Thus there is a continued mismatch with regard to company size and the scale/volumes required by buyers, such as the major multiples
  - there are more companies that have yet to participate in the UK PMD project and have the same issues with trying to enter appropriate markets in order to secure listings and generate sales; and

– **nature and complexity of the marketplace** (the following bullet points related to information failures, imperfect competition /market power and externalities respectively)::

  - there is still a tendency for companies to treat the foodservice and retail markets the same, when in reality the process required to enter these markets and the contacts to be made are very different
  - there is a continual need particularly for smaller more niche artisan type companies to gain support in order to offer a point of difference to retailers. By definition, these smaller companies do not have access to the resources, skills, finance, etc required to develop and offer such a point of difference to their products, unlike the bigger food and drink companies
  - current economic downturn could have positive and negative implications for food and drink companies:
    - o more people are spending more on luxury, high quality, products to consume at home, which offers an opportunity to meet such customer demand through the retail market
    - o sales of high quality speciality foods could be hit as consumers alter their shopping patterns by trading down through incremental shifts between retailers. For instance, shoppers may now go to Morrisons when they previously

shopped in Sainsbury's. In addition, such activity driven by the need to achieve value for money may result in shoppers buying the multiples' 'own labels' rather than branded products.

6.2.2 Achievement of Project Objectives and Targets

The overall objective of the UK PMD project is to build capability within Scottish food and drink companies to help them fully exploit the opportunities that exist within the UK retail and foodservice markets.

Since its inception in April 2005 the UK PMD project has gone a long way to ensure a step change in the way companies operate and achieve sustainable benefits in the retail and foodservice markets into the longer term. Evidence is presented below with a focus on the four key activity streams to provide general highlights of what has been achieved or not:

- **the provision of market information and awareness raising activities around the growth opportunities within UK premium markets**: as depicted in **Table 2.1** this has been addressed through the plethora of events, exhibitions and targeted support programmes that have been delivered since April 2005 and the 438 company participants that have attended such events;

- **targeted support to key companies to develop their knowledge and skills in the retail and foodservice markets**: this been a very successful element of the UK PMD project. Although we only managed to interview seven companies that had been in receipt of targeted support from our consultations with UK PMD delivery agents the following successes have been reported:

  - Retail Supplier Excellence Programme - several companies have reported increases in sales and turnover. In addition intangible benefits were highlighted in terms of how companies are more confident in their dealing with major retailers and are willing to take the necessary steps to alter their strategic and market focus, aims and practices to the benefit of the business
  - Foodservice Excellence Programme - project participation was expected to increase turnover by over £3.5 million[22], spread over nine companies, by December 2008
  - Market Information Pilot with information provider TNS - has helped some companies win new business, but there has been a reliance on the individual to be able to absorb and apply the information provided within the business;

[22] Assuming food inflation of 5% per annum and organic growth of 3% per annum (i.e. growth that would have happened anyway).

- **working with retail and foodservice operators on an account managed basis, developing action plans and delivering joint activity to achieve increased sales**: the relationships that have been established have in many cases (but not always) led to Meet the Buyer events (to an extent Buyer Briefings). Given that 19 MTB events (including the Catering and Hospitality Forum) have been delivered over the project duration, many participants companies have been able to increase sales; and

- **partnership working on joint delivery of activity to support market development, principally HIE on activities as outlined above (with the exception of Retail Supplier and Foodservice Excellence Programmes)**: the principal partner with whom SE worked on the delivery of market development activity was HIE. This relationship was set up in 2007 and saw HIE lead on the delivery of the project (including contractor management) for the remainder of the project, with SE providing a grant contribution towards the delivery of activity. This partnership working model should be explored and widened to other stakeholders in the context of SF&D's three-year Market Penetration strategy which is being developed. An Interim Access to Markets Programme element of the UK PMD project is currently running until September this year, and SF&D has employed two people to take this forward.

6.2.3 Economic Impact Assessment: Gross to Net Impacts

The study collected actual direct impact data from respondent companies that had participated in the UK PMD project over the period April 2005 to December 2008. The survey also gathered information on levels of additionality and displacement associated with the support provided and allowed for calculations of net impacts for the UK PMD project.

A summary of the gross employment and gross sales is presented in **Table 6.1** below. It is encouraging to note that anticipated gross employment is expected to rise fairly substantially by around 50.5 FTEs to 71 FTEs by 2011/2012. Gross sales are also expected to increase by just over a fifth (21%) again of current realised sales by 2011/2012.

With regard to gross sales (grossed up to the total population), the anticipated target of £5.6 million has been exceeded by at least £2.1 million (lower value of gross sales range).

Table 6.1: Gross Employment (Created and Safeguarded) (FTEs) and Gross Sales as Result of Project Participation by Financial Year		
Financial Year	**Gross Employment**	**Grossed up to Total Population**
05/06	0.42 FTEs - 0.58 FTEs	2.40 FTEs - 3.38 FTEs
06/07	1.87 FTEs - 2.63 FTEs	10.82 FTEs - 15.22 FTEs
07/08	2.49 FTEs - 3.51 FTEs	14.42 FTEs - 20.29 FTEs
08/09	0.83 FTEs - 1.17 FTEs	4.81 FTEs - 6.76 FTEs
Total realised	*5.61 FTEs – 7.89 FTEs*	*32.45 FTEs – 45.65 FTEs*
11/12 (total anticipated)	8.73 FTEs - 12.27 FTEs	50.48 FTEs - 71.02 FTEs
Overall Total	**14.33 FTEs – 20.17 FTEs**	**82.94 FTEs – 116.67 FTEs**
Financial Year	**Gross Sales**	**Grossed up to Total Population**
05/06	£107.2k - £150.8k	£1,235.6k - £1.738.2k
06/07	£73.1k - £102.9k	£423.1k - £595.2k
07/08	£642.8k - £904.2k	£3,718.9k - £5,231.6k
08/09	£264.7k - £372.3k	£1,531.3k - £2,154.2k
Total realised	*£1,087.8k - £1,530.2k*	*£6,293.6k - £8,853.4k*
11/12 (total anticipated)	£236.8k - £333.2k	£1,370.3k - £1,927.6k
Overall Total	**£1,324.6k - £1,863.4k**	**£7,663.8k - £10,781k**

Source: EKOS UK PMD Beneficiary Survey, February and March 2009
Note: The figures presented in **Table 6.1** are subject to rounding.

A summary of the net additional employment (created and retained) and net additional sales impacts by specific financial years is depicted in **Table 6.2** overleaf. At the SE area level UK PMD participation has resulted in the creation and retention of 9.6 FTEs to 13.5 FTEs to date. The is anticipated to increase by a significant level, 48.1 FTEs to 67.6 FTEs by 2011/2012, once companies have had more time to embed the benefits of UK PMD project participation into the business.

Over the past four financial years, between £2.3 million and £3.3 million of net additional sales have been realised for participant food and drink companies in the SE area. Encouragingly as contracts mature and grow, it is anticipated that by 2011/2012 net additional sales figures will increase by over half again (56%) on those currently realised.

Table 6.2: Net Additional Employment and Net Additional Sales per Financial Year (grossed up)		
	Range of Net Additional Employment	
Financial Year	**SE**	**Scottish**
05/06	0	0
06/07	4.8 FTEs – 6.8 FTEs	4.8 FTEs – 6.8 FTEs
07/08	0	0
08/09	4.8 FTEs – 6.8 FTEs	4.8 FTEs – 6.8 FTEs
Total realised	*9.6 FTEs – 13.5 FTEs*	*9.6 FTEs – 13.5 FTEs*
11/12 (total anticipated)	48.1 FTEs – 67.6 FTEs	43.3 FTEs – 60.9 FTEs
Overall Total	**57.7 FTEs – 81.2 FTEs**	**52.9 FTEs – 74.4 FTEs**
Financial Year	**Range of Net Additional Sales**	
	SE	**Scottish**
05/06	£491,991 - £692,102	£558,201 -£785,242
06/07	£300,044 - £422,083	£338,959 -£476,827
07/08	£1,078,207 - £1,516,755	£1,162,576 -£1,635,441
08/09	£456,623 - £642,350	£400,621 - £563,569
Total realised	*£2,326,864 -£3,273,291*	*£2,460,356 - £3,461,079*
11/12 (total anticipated)	£1,305,430 -£1,836,398	£1,111,353 - £1,563,383
Overall Total	**£3,632,294 -£5,109,689**	**£3,571,709 - £5,024,462**

Source: EKOS UK PMD Beneficiary Survey, February and March 2009
Note: The figures presented in **Table 6.2** are subject to rounding.

6.2.4 Usage, Quality and Demand

In terms of usage and quality, 57% of respondent companies agreed and 18% strongly agreed that UK PMD project participation had met their company needs and indeed their expectations. In addition, as noted above almost one-third of respondent companies were able to attribute employment and sales impacts as a result of project participation.

Some respondent companies, as noted in **Chapter 4**, would like to participate in future events, especially Meet the Buyer type of events with some of the other large multiples.

Overall, given that the Scottish Food and Drink industry employs 21% of Scotland's total manufacturing workforce, there are still many food and drink companies in the SE area that could benefit from project participation. Due to the current economic downturn it is suggested that the demand for project participation could increase quite significantly.

6.2.5 Management and Delivery

There were a number of suggestions and improvements (some as noted above) with regard to the future management and delivery of the UK PMD project. These are as follows:

- SF&D to ensure continuity of delivery and management of Meet the Buyer, Buyer Briefing and Speciality & Fine Food Fair events/exhibitions through close liaison with SE (and HIE as appropriate);

- improve company participation and recruitment (direct link to potential for increased impacts) through:

    - better management of companies' expectations – pre-selection events/seminars for up to 10 to 20 companies prior to signing up for targeted support (e.g. excellence programmes) to provide a clear understanding of potential benefits from project participation
    - a rolling programme of events over a two to three-year period with staggered start dates
    - structured feedback events/workshops a year of so after event participation to assess how any benefits (both quantitative and qualitative) have been embedded in the food and drink business and if the company is indeed focusing in the most relevant market. Follow-up with buyers a year or so after UK PMD project participation is also recommended
    - continuing to tailor targeted support as closely as possible to company requirements
    - better integration of the various elements of the project to improve awareness of all UK PMD intervention components – particularly with SE food and drink account managed companies;

- encourage greater interest from the private sector, such as sponsorship deals to fund events such as learning journeys to successful food and drink businesses in Scotland or elsewhere;

- improve the future monitoring of the UK PMD project, it is suggested that the post event evaluation reports across all of the project's interventions include standard questions that link directly to the project's target information; and

- SE/HIE/SF&D to take a greater lead role in the evaluation feedback provided after each event in order to improve the objectivity of responses and to disseminate the findings through a user-friendly case study approach.

6.2.6 Assess the Fit and Contribution to other SE Activities, Priority Industry Development and the Equity and Equalities Agenda

As noted in **Chapter 2** of the report, it is imperative that the future development and delivery of the UK PMD project must complement and contribute to this evolving strategic and policy landscape. Furthermore, it is important that going forward the project contributes to the cross-sectoral aspects of equity and equality outlined in the GES and the associated SE Food and Drink Industry Demand Statement in order to promote balanced and sustainable economic growth for all across Scotland. In addition, the future delivery of the UK PMD project will also need to give due cognisance to the issue of environmental quality, responsibility and sustainability with a specific focus on efficient distribution networks, waste minimisation and the adoption of renewable energy usage. Such themes could have the potential to be developed into workshop training events, which could be of particular benefit to food and drink businesses located in rural areas, where energy costs, such as fuel prices and the lack of distribution networks can add significantly to company costs and their resultant carbon footprint.

With regard to assisting rural food and drink businesses to diversify and grow, it is important to note that the UK PMD project should not be viewed in isolation - there are other SE/HIE interventions in terms of food tourism, marketing etc that encourage such growth in dispersed geographical areas.

It should be noted that from the viewpoint of respondent companies, the UK PMD project is viewed as unique, but does complement other support delivered in the main by SE and SF&D.

6.3 Recommendations

In light of the above conclusions, it is recommended that SE continues with a programme of market development activities for at least another three years. Any future SE programme should be positioned within the context of the overall Market Penetration Strategy being developed by SF&D which will articulate the role of the various partners and stakeholders in funding and delivering market development activities. It is anticipated that in line with its strategy, the future role for SE in market development would focus on intensive one-to-one support to help companies grow their capabilities in defined markets.

As noted in the report the project has been successful in terms of delivering sustainable employment and sales benefits to some participants.

In addition, the project itself has been cost effective and offered good value for money. The SE contribution of £600,000 has helped to assist 438 SE based food and drink company attendances at UK PMD events, exhibitions and targeted programmes since April 2005. This equates to an average level of financial support to SE based food and drink participant companies of £1,370.

The resultant leverage ratios are as follows:

- SE area: £1 of public sector spend on the UK PMD project has generated between £4.41 and £6.20 of net additional GVA; and

- Scottish level: £1 of public sector spend on the UK PMD project has generated between £3.76 and £5.29 of net additional GVA.

We believe that these ranges are on par with other SE and other economic development agency evaluation evidence with a focus on similar types of support projects. In particular, the recent Regional Development Agency (RDA) Impact Evaluation, March 2009, by PwC for the Department of BERR concluded that every £1 of RDA spend will add £4.50 to regional GVA.

With regard to an exit strategy, for any public sector intervention there is a requirement to constantly review projects and exit as appropriate. A partial exit from this project has now been achieved given that SF&D is now delivering the one-to-many activities previously delivered by SE and HIE. SE's role will focus on the one-to-one support in the future, but will be positioned as part of and contributing to the wider Market Penetration Strategy.

For the vast majority of the companies interviewed for this study, participation was either partially or fully additional suggesting that the UK PMD project is still providing valuable support that companies would not have had in the absence of the project

Appendix 1: Post Survey Report

As outlined in the study brief, a key requirement for this study was to provide a Post Survey Report. The analysis which follows includes details on:

- the sampling framework with our proposed stratified representative sample of SE area based participant food and drink companies (tempered with practical consideration);

- the achieved response rates for the various elements of the study fieldwork, including the quality of responses attained;

- estimates of sampling error;

- limitations of the survey design; and

- implementation problems (as appropriate).

We will take all the above issues in turn. However, it should be noted that some of the issues outlined below have been included in the main report, as appropriate.

Sampling Framework

In order to pull together a sampling framework in terms of the total population of SE based food and drink company UK PMD project participants, it was necessary for the SE Client Steering Group to send an initial list of food and drink companies to the SE Internal Survey Control team. The reason for this was for the team to assess if SE had already contacted any of the companies listed over the last six months – where the contact was not necessarily on a sector specific issue. Further to this exercise, 12 food and drink companies fell into this category and were therefore excluded from the sampling framework, resulting in a total population of 162 SE based food and drink companies that had participated on the UK PMD project.

To ensure we were aware of what each of the various events, exhibitions and targeted support elements of the UK PMD project were about and hoping to achieve for participant companies, the SE Client Steering Group provided EKOS with many of the post event evaluation reports prepared by the relevant delivery agents. In addition some of the most up-to-date reports were obtained by EKOS directly from the appropriate delivery agent during our consultation discussions on a one-to-one basis with all agents.

Achieved Response Rates

From our total population of 162 SE based food and drink companies we had hoped to achieve the following responses:

- 25 completed telephone interviews with participant companies that had been in receipt of the more targeted one-to-one UK PMD project support, such as the Foodservice and Retail Supplier Excellence Programmes, the Market Information Pilot and the Technical Training and Sales Development Workshops; and

- 40 completed telephone interviews with participant companies that had attended the various project events and exhibitions such as Meet the Buyer, Buyer Briefings and Speciality & Fine Food Fairs.

However, despite contacting all companies listed[23], in most instances between three to five times, during the study period only 28 completed telephone interviews were achieved. Of the 28 companies who completed the business survey, seven had been in receipt of targeted support (but not exclusively) and 26 respondents had attended events and/or exhibitions. The overall response rate was 17% (28 out of a population of 162 SE based food and drink companies).

We also had another 11 telephone interviews set-up and two participants who agreed to return the completed questionnaire by e-mail. However, when the 11 contacts were called at the appointed time, the person was either not there or not available and we were advised to call back again to re-arrange. The other two contacts failed to return the completed questionnaire by e-mail. If these interviews and e-mail returns had been achieved then the overall response rate would have increased to 25%.

In addition, a total of 42 companies did not take part in the survey. The reasons for this are presented in **Table A1.1** below.

Table A1.1: Reasons for Not Participating in Evaluation

Reasons	Absolute Number	Percentage of Total
Not willing to take part	12	28.6
Person who attended is no longer with company	10	23.8
Did not attend events	5	11.9
Don't remember attending events	3	7.1
Wrong telephone number	3	7.1
Never heard of events	2	4.8
Not in office until April 2009	2	4.8
No incoming calls	2	4.8
Not willing to take part as questionnaire too long	1	2.4
Incorrect contact	1	2.4
Not appropriate to contact as this time	1	2.4
Total	**42**	**100**

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

We believe that some of the following additional reasons may have hampered the response rate:

- the tight timescale of just under four weeks to undertake the beneficiary survey meant that some company contacts were not available during this timeframe, such as the two contacts noted in **Table A1.1**. However, we did have to cancel one potential interview for late March because of this issue and we also ran out of time to re-arrange previously set-up interviews that had to cancelled;

[23] Apart from five companies where no contact details were available/known despite a search of the SF&D Buyers' Guide, a web search via Google and liaison with the SE Client Steering Group

- SF&D had just recently conducted an Access to Markets Survey with Scottish food and drink companies prior to this evaluation, with some companies witnessing an element of survey fatigue and thus not willing to take part in yet another survey in such a short space of time; and
- given the current economic climate, many companies are just tying to survive at present and taking time out of the business to participate in this study would not be viewed as a priority.

It should be noted that the detailed list of companies which will identify those that participated, those that did not, set-up interviews that did not take place and the number of times companies were contacted, including the introductory e-mail sent out on behalf of SE, will be provided to the SE Client Steering Group for internal use only. It is not appropriate to include such information in this report.

Estimates of Sampling Error

Although we achieved a response rate of 17%, we still managed to capture a reasonable degree of attributable employment and sales impacts from nine[24] of the 28 respondent companies. Therefore we are still 95% confident that the resultant impacts are robust i.e. we have allowed for a sampling error of five percent.

However, as noted in **Chapter 5** we have applied a confidence interval to our gross and net additional impacts of +/-16.9%, which has been derived from an achieved sample of 28 respondent companies from a total population of 162 SE based food and drink companies.

Limitations of Survey Design

Overall great care was taken to ensure that the survey questionnaire was tailored appropriately to the company in light of the events and exhibitions attended and the targeted support received through the project, with reference to the delivery agents' evaluation reports. This approach, although fairly time consuming, avoided sending out one generic, lengthy, questionnaire to participant companies in advance of the telephone interview.

The one company that did refuse to take part in the survey due to the length of the questionnaire, as noted in **Table A1.1**, had attended many events. Therefore, to be able to capture the issues and benefits gained on an event-by-event basis, as requested in the study brief, some questionnaires were longer than others.

In general, apart from the length of some questionnaires, no other limitations were identified in terms of the survey design.

[24] This number excludes the main outlier.

Implementation Problems

With regard to the beneficiary survey, we did not face any implementation problems. The SE Client Steering Group was sent a weekly progress report with regard to the study consultation programme and the beneficiary survey. Such reports kept the Client well informed on the issues surrounding the actual and anticipated response rate throughout the study fieldwork element of this evaluation.

Appendix 2: UK PMD Project Components

Buyer Briefing

An informal business meeting at which a buyer from an invited buying organisation makes a short presentation about their business to a group of producers followed by open discussion. Provides producers with a cost-effective introduction to a buying organisation that they may wish to target as a prospect.

Meet the Buyer

Working with a buying organisation to identify companies that meet its specific criteria after which the buyer will select a number of producers to meet on an individual appointment basis. Enables producers to have the opportunity to meet category buyers face-to-face to present their products and to discuss business and sales opportunities.

Speciality & Fine Food Fair

The Speciality and Fine Food Fair is held annually in London in early September and brings together a range of independent retailers, delicatessens, chefs, hoteliers and restaurateurs, importers, distributors and wholesalers to meet UK and international producers and suppliers of the fine food and drink.

SF&D Pavilion approach enables exhibiting producers to showcase their products to a whole range of buyers in a particular market. The aim is to generate new sales opportunities. and to enable participants to gauge the competition and emerging product trends. The SF&D Pavilion provides a supported environment for producers and also a strong regional identity to attract buyers.

Real Food Festival

The Real Food Festival is an exhibition which allows participants to challenge their preconceptions about the food they eat. It also allows participants to taste food; meet the people who grow, nurture and produce real food; to get to the bottom of the nutrients versus real food debate and to untangle all of the conflicting information that confounds consumers at the point of purchase.

Retail Supplier Excellence Programme

Operating from November 2004 to May 2005, the programme involved participation by eight selected suppliers and comprised a series of seven workshops delivered over the period as well as a telephone helpline to assist with overcoming individual problems between workshops. Topics covered included market information, national account management, category management and negotiation skills.

Foodservice Supplier Excellence Programme

This twelve-month programme allowed SMEs to benefit from one-to-one tailored consultancy to better develop their sales in UK foodservice market. The programme followed on from the similar programme for retail mentioned above.

Initially nine companies began the programme although one was forced to drop out due to a lack of internal resource.

Workshops

Workshops provide participants with one-to-one targeted, tailored support. The workshops that have been delivered under the UK PMD project have focused on particular themes; one was on technical training and one was on sales development. In particular, the workshops made specific quality assurance and technical advice more available to participant food and drink companies.

Market Information Pilot with TNS

SE ran this pilot project, in partnership with leading information provider TNS, to supply five companies with key market data to help them understand the basic principles of market research, how to interpret market and consumer trends and how to apply this to their negotiations with buyers.

Appendix 3: Consultees

The SE internal and external partners and stakeholders consulted as a key component part of this evaluation are as outlined in **Table A3.1** below.

Table A3.1: Evaluation of the F&D UK PMD Project - Consultees

Consultee	Role / Title	Organisation
Lorraine Russell	Study Project Manager	SE
Maggie McGinlay	Director, F&D	SE
Russell Stevenson	Team Leader, Industries	SE
George Noble	Study Steering Group	SE
Gerry McGuigan	F&D Team Leader	HIE
Allene Bruce		Scotland Food & Drink
David Dexter	Delivery Agent, Retail Supplier Excellence Programme	Dexter Hunt Consulting
Malcolm Calthrope	Delivery Agent, Foodservice Excellence Programme	Foodservice Specialists Ltd
Mark Thomson	Delivery Agent, Market Information Pilot Project	TNS
Steven Smith	Delivery Agent, SFFF, BB & MTB, RFF, Workshops (post 2007)	Strategem
Alison Carmichael	Delivery Agent, SFFF, BB & MTB (pre 2007)	Carmichael Food Consultancy/ Bright Blue Project Management

Source: EKOS UK PMD Consultation Programme, February and March 2009

Appendix 4: Satisfaction with Delivery Agent

Tables A4.1 to **A4.8** below provided details of the satisfaction scores (using pre-determined issues) with regard to the delivery agents by type of UK PMD intervention, as reported by respondent food and drink companies.

Table A4.1: Satisfaction Ratings of Support from Delivery Agent – Buyer Briefing (absolute no. of responses)

	Score					
Issues	**Very poor**	**Poor**	**Average**	**Good**	**Excellent**	**Don't Know**
Responsiveness to enquiries		1		7	3	
Consistency of meeting commitments		1	1	6	3	
Technical ability and knowledge of staff				7	4	1
Level/degree of intervention			1	6	3	1

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Table A4.2: Satisfaction Ratings of Support from Delivery Agent – Meet the Buyer (absolute no. of responses)

	Score					
Issues	**Very poor**	**Poor**	**Average**	**Good**	**Excellent**	**Don't Know**
Responsiveness to enquiries			2	11	4	2
Consistency of meeting commitments		1	2	9	4	3
Technical ability and knowledge of staff			1	12	3	3
Level/degree of intervention			2	10	2	5

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Table A4.3: Satisfaction Ratings of Support from Delivery Agent – Speciality & Fine Food Fair (absolute no. of responses)

	Score					
Issues	**Very poor**	**Poor**	**Average**	**Good**	**Excellent**	**Don't Know**
Responsiveness to enquiries				1	1	1
Consistency of meeting commitments		1			1	1
Technical ability and knowledge of staff			1		1	1
Level/degree of intervention				1	1	1

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Table A4.4: Satisfaction Ratings of Support from Delivery Agent – Real Food Festival (absolute no. of responses)

	Score					
Issues	**Very poor**	**Poor**	**Average**	**Good**	**Excellent**	**Don't Know**
Responsiveness to enquiries				2		
Consistency of meeting commitments			1	1		
Technical ability and knowledge of staff			1	1		
Level/degree of intervention			1	1		

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Table A4.5: Satisfaction Ratings of Support from Delivery Agent – Retail Supplier Excellence Programme (absolute no. of responses)

	Score					
Issues	**Very poor**	**Poor**	**Average**	**Good**	**Excellent**	**Don't Know**
Responsiveness to enquiries				3		
Consistency of meeting commitments				3		
Technical ability and knowledge of staff				3		
Level/degree of intervention				3		

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Table A4.6: Satisfaction Ratings of Support from Delivery Agent – Foodservice Excellence Programme (absolute no. of responses)

	Score					
Issues	**Very poor**	**Poor**	**Average**	**Good**	**Excellent**	**Don't Know**
Responsiveness to enquiries			1			
Consistency of meeting commitments				1		
Technical ability and knowledge of staff				1		
Level/degree of intervention						1

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Table A4.7: Satisfaction Ratings of Support from Delivery Agent – Workshops (absolute no. of responses)

	Score					
Issues	**Very poor**	**Poor**	**Average**	**Good**	**Excellent**	**Don't Know**
Responsiveness to enquiries				2		
Consistency of meeting commitments				2		
Technical ability and knowledge of staff				2		
Level/degree of intervention				2		

Source: EKOS UK PMD Beneficiary Survey, February and March 2009

Table A4.8: Satisfaction Ratings of Support from Delivery Agent – Market Information Pilot (absolute no. of responses)

	Score					
Issues	**Very poor**	**Poor**	**Average**	**Good**	**Excellent**	**Don't Know**
Responsiveness to enquiries				1		
Consistency of meeting commitments				1		
Technical ability and knowledge of staff				1		
Level/degree of intervention				1		

Source: EKOS UK PMD Beneficiary Survey, February and March 2009