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1. Introduction

This report outlines the current state of the food industry in Ireland. Firstly, the supply side is presented, highlighting the dominant role of major retail multiples in the Irish market (accounting for approx. 90% of sales). Emerging trends in supply are also presented, including online sales, food service, independent food stores, alternative food networks and home-grown. We then present details on the demand side, the importance of health, convenience, locality and affordability for the Irish consumer. This is followed by an analysis of the online domain in food provisioning in Ireland, detailing features of market including online supermarkets, alternative food stores, meal solutions, food service apps, and box deliveries.

1. *The Food Distribution Sector: The Supply Side*
	1. In 2017, the two main routes to markets, retail and food service, in the Republic of Ireland were worth €15.5bn (IGD, 2018) and €5.7bn (Bord Bia, 2017) respectively.
	2. In the “take home grocery” retail supply chain approximately 90% of sales are through major retail multiples. According to Berry (2018) Supervalu (22%), Dunnes Stores (22%), and Tesco (22%) account for the highest % value share followed by Lidl (12%) and Aldi (12%). The remaining 10% of the market is accounted for by independents and other food retailers (Source: Berry, 2018). These figures are based on panel data however using national statistics IGD (2018) suggest a somewhat different market share profile with Musgraves (including Supervalu), Tesco and Dunnes holding an overall share of 57% with each holding a share of 25%, 16% and 16% respectively.
	3. According to Berry (2017) on-line grocery shopping accounts for a small proportion of purchase at 2.2% (of sales) currently with an average grocery spend per on-line purchase trip in 2017 of €66.43. Growth of this selling channel is significant with reported year on year growth of approximately 25%. This is expected to result in a 5% share of grocery spend by 2022.
	4. 33% of the value of Irish food purchases is prepared and consumed outside of the home. According to Bord Bia (2017) the Food Service Market on the Island of Ireland is worth €7.8bn (€5.7bn ROI; €2.1 NI) with over 33,000 outlets competing for market share. A majority of the food service provision is through commercial channels (91%) with institutional channels accounting for a mere 9% of overall food service market value.
	5. The Retail Grocery Dairy & Allied Trades Association (RGDATA) represents over 4,000 independent family owned grocery shops, convenient stores, forecourt stores and supermarkets in Ireland (RGDATA, 2018). There are approximately 90 independent health food stores in Ireland (Irish Health Stores, 2018) and independent butchers and fishmongers in almost every large town. Artisan food stores are also increasing.
	6. Identified in FoodWise 2025 (Irish Agri-food plan 2015 - 2025) ‘new retail routes’ such as ‘pop-up’ shops, street food occasions, the use of online and mobile technologies and various forms of food entrepreneurialism are growing food supply trends in Ireland but data in this area is currently not available.
	7. Co-operatives, country markets, farmers’ markets and farm shops have a long tradition in Ireland. The English Market (a roofed food market in Cork) is trading since 1788. The first country market dates back to 1946 with 32 such markets in operation in Ireland today (Country Markets, 2018) and there are currently 135 farmers’ markets in Ireland (Bord Bia, 2018).
	8. There are approximately 160 community gardens in Ireland (Community Gardens Ireland, 2018).
	9. Some home production is also occurring. According to Bord Bia Periscope (2017) households (hhs) produce some of their own fruits (12% of hhs), vegetables (11% of hhs), and herbs (20% of hhs).
2. *Food Consumption Patterns: The Demand Side*

Health, convenience, local and affordability are generally noted as key determinants of demand. The significance of these is increasing year on year and are fore-fronted in the design of many new foods. In addition, attention is being given to sustainability. Importantly new products are being designed and delivered to satisfy consumer requirements across a number of these key determinants.

Like most developed markets there is high awareness of the link between health and diet among Irish adults. This has translated into a range of food behaviour strategies being implemented, including both avoidance and approach-based tactics. Types of ingredients, sources of food, level of processing, food preparation practices, character of the food (e.g. authentic/traditional) and cooking scripts are prominent among those seeking health solutions. This greater emphasis on health is illustrated in the increased daily intake (self-reported) of fruit and vegetable from 3 to 4 portions between 2013 and 2017. This interest in healthy eating is further evident in consumer attitudes toward fruit and fibre consumption. According to the recent Bord Bia Periscope (2017) report, a majority of Irish adults (92%) indicated that they are trying to consume a “*lot of fruit and vegetables”* while 83% also trying to “*eat high fibre foods*”. The increasing prioritisation of healthy living has also lead to greater consideration of the ingredients in processed foods with a move towards avoiding sugar, salt and carbonated drinks (Bord Bia Periscope, 2017) and seeking out clean labels (Berry, 2017). This motivation to change has led to market growth in food categories with health benefits and decline in those that are categorised as unhealthy. To illustrate, markets for avocados, granola and soya/dairy free grew by 239%, 192% and 119% respectively in 2017 while, in the same year, markets for white granulated sugar, ambient pure juice and instant soup declined by 30%, 43% and 31% respectively (Berry, 2017).

The demand for healthy food solutions is evident in many consumption contexts. In the quick service restaurant (over-the-counter and drive-thru service) and fast casual (limited service but higher quality products, design and ambiance compared to quick service restaurants) there is evidence of an increasing number of healthier menu options (lower calories, lower sugar) along with use of healthier cooking methods, local sustainable ingredients and offering plant-based meals (Bord Bia, 2017). Furthermore, food solutions that address health and convenience demands are also evident within the food-on-the go market. This trend toward healthier eating is also impacting on the practices of full service restaurants (where indulgence has traditionally been an important driver of demand) where menus are being edited and recrafted to incorporate more fruit and vegetable. Food retailers are responding to this trend by aligning their own-label product portfolios to fit with healthier diets (Mintel, 2017). Furthermore, consumers are also using online and digital platforms to council them on how to practice a healthy lifestyle. Monitoring physical activity and food intake is supporting some consumers make more informed food choices.

Time pressured individuals, negotiating between the many demands of everyday life, seek out time saving solutions for recurrent everyday practices. This is very evident when examining food practices. The importance of convenient food solutions to Irish adults is evident in the growing demand for: 1) takeaway and grab-and-go solutions within food service (Bord Bia, 2017); 2) online purchasing (including click and collect) in food retail and; 3) easy to prepare and quick to cook products solution in the home (Bord Bia Periscope, 2017). The desire for convenient food solutions is also evident in the forecourt and convenience store growth within the limited service segment (Bord Bia,2017). Additionally, the desire for more convenience is noted in increasing demand for ordering and paying for take-away foods via on-line platforms (Bord Bia, 2017). Mintel (2017) speak to a “straight to you trend”, which reflects consumers’ desire for delivery on demand and a low tolerance for lead times between order to delivery, and presents a significant challenge to companies seeking to service this market.

Supporting local producers and buying local is important to many Irish adults (IGD, 2018). Interestingly this sense of financial solidarity was more prevalent during the recession as illustrated in the reduced importance placed on buying local produce, with 34% viewing this as very important in 2011 compared to 24% in 2017. While local is important what this means varies, ranging from distance between producer and customer (e.g. made in Ireland through to proximity to the customer’s home) to the purchase location (e.g. farmers markets). For Irish adults the most generally perceived benefits associated with local produce, as identified in the Bord Bia Periscope (2017), include high levels of overall quality (74%) and ingredient quality (67%), safety (72%) and health (68%). There is evidence that retailers are leveraging this interest for local. Discounters such as Aldi have built strong relationship with Irish producers, while Musgraves have established and continue to support and build relationships with regional and local producers. This connection with local was also evident in consumer attitudes to on-line purchases with 76% of Irish consumers being willing to shop more online if there were more Irish online retailers (Mintel, 2018).

While little evidence was available to highlight the connection between locally sourced and sustainability there is some evidence of the sustainability trend. In the case of the food on-the-go market, sustainability and locally sourced ingredients are being used as differentiators (Bord Bia). Consumer are generally aware of the terms “sustainably produced” (56%), “carbon footprint” (70%) and “food miles” (70%). Awareness appeared to be higher among consumers who bought organic and/or local produce. Consciousness about environmental issues when choosing product is evident with 61% of adults suggesting that they think about this, with 55% preferring to buy from companies that are aware of environmental issues.

When considering convenience and health attention also needs to be given to cooking practices and the importance of this in addressing health concerns and time pressures. While taking cooking classes, as a means to enhance cooking skills, is limited (according to Bord Bia studies approximately 10% of Irish adults participate in this activity in any given year), a majority of Irish consumers viewed cooking during weekdays as important due to its association with “eating well” (52% in 2017). The importance of eating well through cooking has become more prevalent when compared to 2013 when about a third of adults viewed cooking in this way (Bord Bia, Periscope, 2017). The importance of cooking to eating well is evidenced in self-reported behaviours, in 2017 almost 70% of Irish consumers engaging in scratch cooking at least a few times a week and some 31% reporting that they are consuming convenient ready meals less often than 12 months earlier (Bord Bia, Periscope, 2017). Notwithstanding the evidence of increasing interest in scratch cooking there is also a continued reliance on using ready prepared ingredients by some in meal preparation, 48% of Irish people used such ingredients at least once a week in 2017 (Bord Bia Periscope, 2017).

The desire for value for money continues to influence choice with discounter grocery chains (Aldi and Lidl) continuing to grow their market share (Passport, 2018) and the increasing demand for own labels brands. Due to the desire for value for money IDG (2018) suggest that strengthening price competiveness is of strategic importance to retailers.

While some of the trends appear contradictory at first glance (e.g. increase levels of scratch cooking and demand for convenient food solutions), taken within context we are witnessing a very strong move towards demand for more convenient healthier solutions within every given context.

1. **Online Digital Sales**

Device ownership is high with 87%, 89% and 62% of Irish consumers owning a PC/laptop, smart phone and tablets respectively (Mintel, 2018). This provides a strong basis for on-line purchases. Unsurprisingly the use of online and mobile purchasing platforms is increasing with Mintel (2018) reporting a growth rate of 27% between 2017 and 2018, and an estimated sales value of €11.13bn. Push based marketing is now presenting a significant opportunity due to the potential use of geolocation data to communicate targeted location and time specific information. It is noted that the high levels of ownership of smartphones, more efficient delivery of online purchases, increased confidence in digital payment along with improved network infrastructure has driven this growth (Mintel, 2018). While the delays in the rollout of high speed broadband to rural areas has resulted in lower levels of participation in certain regions (Berry, 2017), strong growth is predicted in grocery retailing through this channel over the next 5 years due to ongoing enhancements of this infrastructure (Passport, 2018).

Approximately 64% of Irish customers bought product on-line in 2017, however this figure drops to 16% for grocery purchases. However, survey data from Bord Bia Periscope (2017) suggests that 13% of Irish adults order groceries on-line, with the majority (51%) of these making such purchases less than once a month. Purchases are most frequently made from home using smartphones (54%), tablets (52%), laptops/desktops (75%) and game consoles (23%). Smartphone (22%) were the main device used by Irish consumers for on-line purchase made away from home. (Mintel, 2018). Mintel (2018) reports differences in the demographic profiles of those using different devices for purchasing and the types of purchases made. Students, for example, were more likely than other cohorts to make purchases online using their smartphone while away from home. Women are more likely than men to buy fashion items online. Consumers with young children are more likely to buy online when compared with those with no young children, while millennials are more likely than older consumer to purchase media content. Additionally, Irish consumers are most likely to buy fashion items and travel services, have a strong preference for home delivery and are concerned about data security when purchasing on-line (Mintel, 2018).

A variety of food and meal solutions are available to Irish consumers from the online food supply market. The main offerings include 1) online supermarket store, 2) alternative food stores (e.g. ethnic & health), 3) meal solutions, 4) food service apps, 5) box deliveries (e.g. vegetables or snacks). Examples of each is provided in the table below:

Table 1. Online Food Supply Channels in Ireland

|  |  |  |  |
| --- | --- | --- | --- |
| **Type** | **Example** | **Website** | **Delivery** |
| Online Supermarket | Supervalu | https://shop.supervalu.ie/shopping/ | Home delivery or click and collect |
| Alternative Food Stores: 1. Ethnic
2. Health
 | 1. Asia Market 2. Organico | <https://www.asiamarket.ie/> <https://www.organico.ie/food-drink>  | Home delivery  |
| Meal Solutions  | Drop Chef | https://dropchef.com/ | Home delivery |
| Food Service Apps | Just Eat | https://www.just-eat.ie/ | Home delivery |
| Box Deliveries  | The Organic Supermarket  | https://www.organicsupermarket.ie/ | Home delivery  |

A range of options for the receipt of goods are available to on-line and mobile purchasers. These include home delivery, workplace delivery, click and collect (in retailer store), parcel collection point, click and collect (in non-retailer store). Mintel (2018) report that of those who bought goods on-line line 94%, 11%, 60%, 21% and 13% used the aforementioned opinions respectively. Clearly home delivery and click and collect are the two most preferred options.

Two of the top three grocery retail stores, Tesco and Supervalu, offer home delivery service for groceries. Currently Dunnes Stores, discounters and convenience stores do not offer this service. Online and mobile purchases are on a growth trajectory, particularly in terms of meal solutions delivery, which is likely as a result of the health trend in the food market. The meal solution market comprises of either prepared meals (often by professional chefs) or meal ingredient boxes (including fresh cut meat/fish and portioned fresh vegetables and potato/rice) to be cooked/prepared in the home by the consumer with the aid of an accompanying recipe card. Many of the online meal solutions are calorie controlled, with the information available at the point of purchase. Some companies (e.g. Body Fuelz) target gym users in particular and will even delivery your meal order to your gym (or home, workplace, or pick-up at their facility). Delivery and return costs are a concern for suppliers thus, while free delivery would encourage greater use of on-line grocery shopping (Mintel,2017 reports that 49% of RoI customers would find this attractive) it presents a barrier to suppliers. However, many of the online suppliers offer free delivery, but only with a minimum spend, usually €50.

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