

# THE WHOLE SOCIETY

Demonstrating the  
contribution of the food  
and drink wholesale  
distribution industry





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Disclaimer: This research has been commissioned by the Federation of Wholesale Distributors from Capital Economics, an independent macroeconomics research consultancy. The views expressed remain those of Capital Economics and are not necessarily shared by the Federation of Wholesale Distributors.

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# FOREWORD



**At every point in people's lives, from birth in hospital through to the later years and all points between, the food and drink they consume is provided by the members of the Federation of Wholesale Distributors.**

FWD's groundbreaking Whole Story research, conducted for us by Capital Economics in 2014, provided for the first time a summary of the economic impact of food and drink wholesale, demonstrating the value and importance of the sector in improving consumer choice through its support for retailers and caterers.

The Whole Society extends and broadens that analysis, looking more closely at the downstream impacts of wholesale, the net positives wholesale brings and how food and

drink wholesale reaches all aspects of people's lives, from the cradle to the grave.

In this report we provide an up-to-date summary of the important economic contribution of food and drink wholesale to UK PLC, setting out both upstream and downstream impacts. The report develops an analysis of the wider impact of wholesale on the whole economy, as well as its contribution to society. We also provide an assessment of the economic challenges wholesale will face in the coming years.

We are delighted to be again partnering Capital Economics in preparing this research into the hidden world of wholesale and hope it illuminates the vital role the sector plays both the economy and in feeding the nation.

**James Bielby**  
Chief Executive,  
Federation of Wholesale Distributors



**We are delighted to present this report on the economic contribution of the food and drink wholesale distribution sector in the United Kingdom.**

The sector performs a key role in the economy by linking large food and drink manufacturers with independent retailers and foodservice providers in local communities across the country. The foodservice businesses which the wholesalers supply span across a wide range of activities including healthcare, education, hospitality, retail and leisure.

Our report shows the full extent of the sector's value to the United Kingdom economy, as well as the challenges and opportunities for

the sector in the coming years. Food and drink wholesale distributors turn over £29 billion annually and directly employ almost 60,000 people in the United Kingdom. Including the activity supported in their supply chains, and the retail and foodservice businesses which they serve, around 1.4 million domestic jobs are supported by the sector.

**Mark Pragnell**  
Head of Commissioned Projects,  
Capital Economics





# KEY FINDINGS

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Capital Economics has been commissioned by the Federation of Wholesale Distributors to research and report upon the economic contribution of the food and drink wholesale distribution sector and to identify the challenges facing the sector.

## Our key findings are:

- Food and drink wholesale distribution is a sector in its own right, turning over £29 billion, employing nearly 60,000 people and generating gross value added of £3 billion annually
- Wholesalers' depots are located in all regions and devolved nations to distribute goods to independent retailers and caterers in local communities
- Food and drink wholesalers' support all areas of the foodservice market which encompasses a wide range of activities including retail, travel, leisure, hotels, pubs, restaurants and contract caterers
- The sector forms a crucial part of a value chain which links large food and drink manufacturers with independent retailers and foodservice providers across the country; including the entire chain we estimate that it supports 1.4 million jobs and £43 billion in gross value added
- There has been upward pressure on wage costs which has increased the incomes of employees in the sector while also squeezing margins of wholesalers; it may have also contributed to a reduction in the number employees, though this could reflect other factors such as an increase in automation and efficiency
- There are a number of issues which pose challenges to the future success of the sector including the impending exit from the European Union, food inflation and the automation of manual roles
- Around 58 per cent of food and drink wholesale distributors' revenue comes from sales to small, independent retailers providing access to food, drink and other goods in every region and devolved nation; we estimate that the activities of the food and drink wholesale distributors supports 537,000 jobs in the wider economy
- Around 39 per cent of food and drink wholesale distributors' revenue comes from sales to foodservice providers who supply food and drink to a wide range of organisations including schools, hospitals, social clubs, guest houses, coffee shops and petrol forecourts; we estimate that the activities of the food and drink wholesale distributors supports 650,000 jobs nationally



# ABOUT THE REPORT

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FWD's members carry out the wholesale distribution of food, drink and other goods to retail and catering/food service businesses via cash and carry, delivery and the internet. For brevity, in this report, we refer to this sector as 'food and drink wholesale distribution'.



The numbers presented in this report are a combination of official statistics, publically available statistics and a survey of food and drink wholesale distributors. The survey was conducted between February and December 2017. Overall the responses covered over 85 per cent of the sector based on the number of depots although the sample for individual questions varied.



There have been some changes in the make-up of industry since the data for this report were collected. We present a snapshot of the industry in 2016.

# UNDERSTANDING THE FOOD AND DRINK WHOLESAL DISTRIBUTION INDUSTRY

In this section we provide an overview of the scale, nature and current position of the food and drink wholesale distribution sector

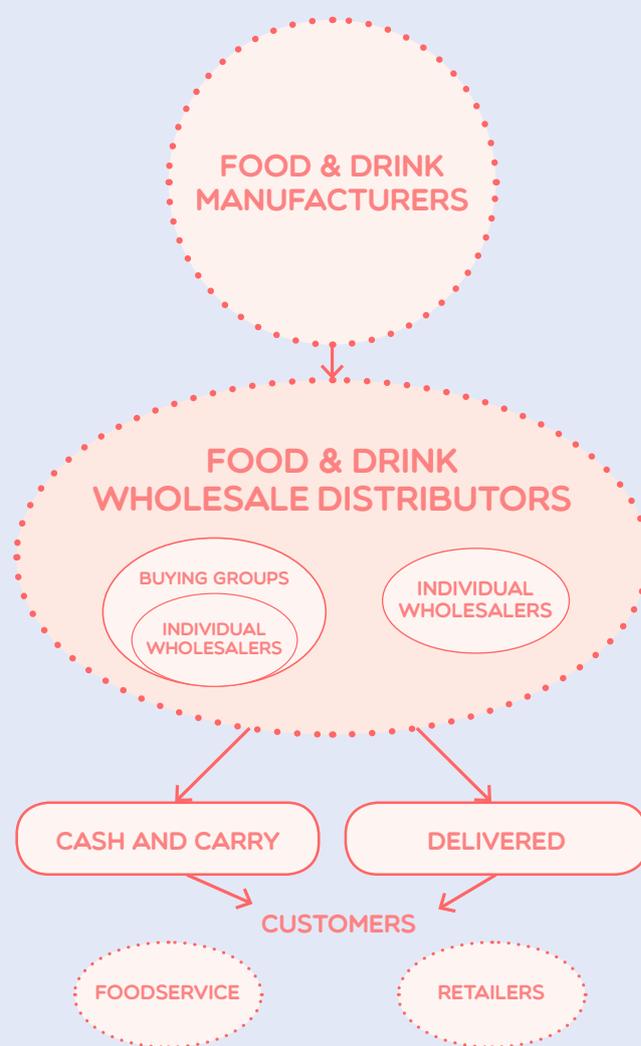


# OVERVIEW OF THE FOOD AND DRINK WHOLESALE DISTRIBUTION SECTOR

Wholesaling is a large industry in the United Kingdom, with annual turnover of over £670 billion and employing well over one million people. It involves the resale of new and used goods to retailers, businesses to business trade, and the resale of goods to other wholesalers. It also includes the activities of agents or brokers in buying merchandise for, or selling merchandise to, these businesses. The range of businesses supplied spans multi-national retailers, industrial manufacturers, construction companies and small specialised stores.

This report is focussed on the food and drink wholesale distribution sector. The industry provides a link between large food and drink manufacturers and independent retailers and caterers. It is a significant industry that supports high streets and local communities across the country.

The role of food and drink wholesale distributors is to buy products in bulk, and sell and distribute them to smaller individual buyers at cheaper prices than the small independent buyer could negotiate. Goods are distributed to customers either through direct delivery or cash and carry locations.



## OVERVIEW OF FOOD AND DRINK WHOLESALE DISTRIBUTION SECTOR

Source: Capital Economics



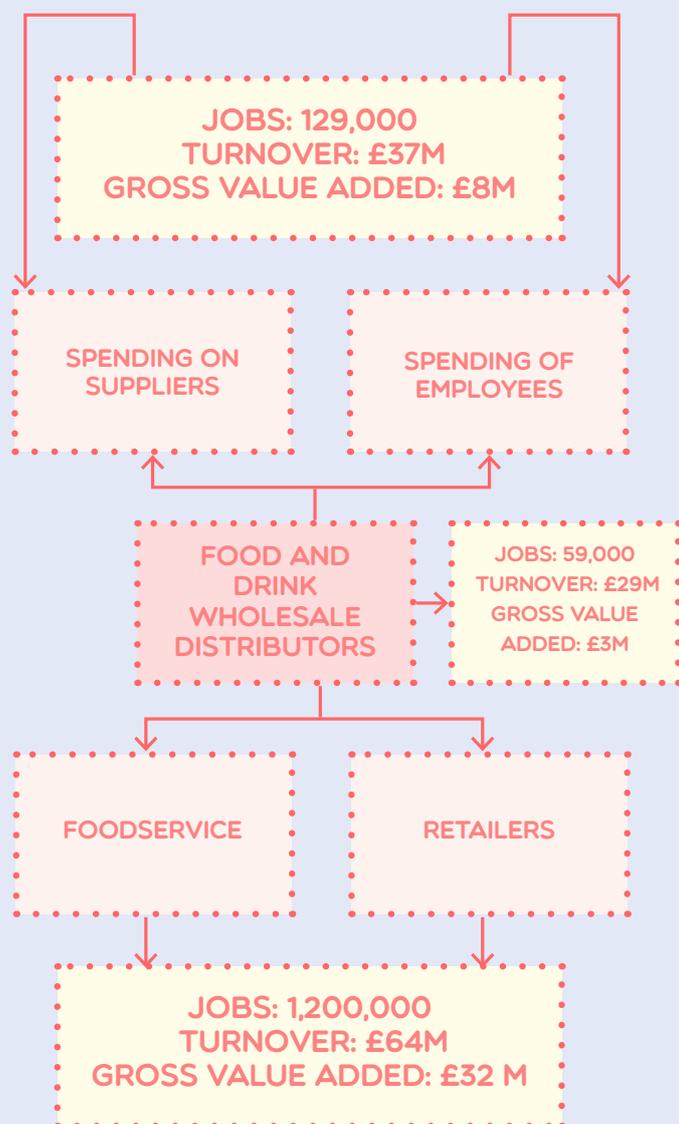
# ECONOMIC ACTIVITY SUPPORTED BY THE FOOD AND DRINK WHOLESALE DISTRIBUTION SECTOR

The food and drink wholesale distribution sector plays a crucial role in the United Kingdom economy.

It is a significant industry in its own right, providing jobs and adding value to the economy. In total, around 60,000 people were employed directly in the sector in 2016 spread across all regions and nations, generating £3 billion of gross value added.

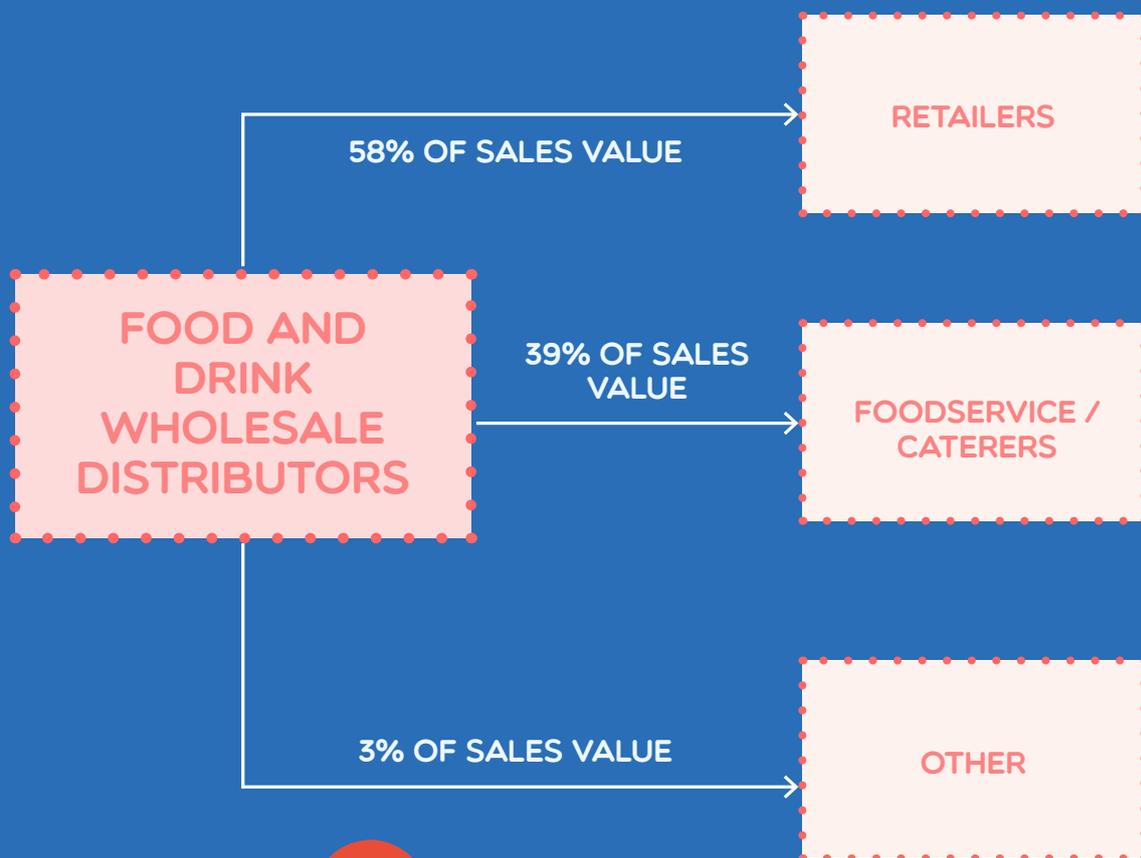
In addition to the direct contribution of food and drink wholesale distributors, economic activity and jobs are supported in the wider economy by both their purchases from suppliers and the spending of their employees. Overall we estimate that combined these support almost 130,000 domestic jobs.

On top of the direct and multiplier impacts, the food and drink wholesale distribution plays a key role in supporting independent retailers and caterers across the country which rely on wholesale distributors to supply them with their goods. The service that wholesale distributors provide supports in the region of 1.2 million jobs on high streets and foodservice providers across the United Kingdom.



# INDEPENDENT RETAILERS, FOODSERVICE PROVIDERS AND CATERERS ARE MAIN CUSTOMERS

Food and drink wholesale distributors supply goods to businesses which play an important social and economic role in the United Kingdom. Most of the sector's sales go to independent retailers or foodservice and catering providers, which are predominately small and medium sized enterprises.



SHARE OF TURNOVER BY TYPE OF CUSTOMER,  
PERCENTAGE OF TOTAL VALUE, 2016

Source: Capital Economics' analysis of survey of food and drink wholesalers



# FOODSERVICE PROVIDERS AND CATERERS COVER A WIDE RANGE OF ACTIVITIES

The foodservice industry covers a wide range of activities which can be split into three main groups:

1. Retail, travel and leisure. Food and drink wholesale distributors supply goods to a host of companies which provide food and drink options in convenient locations for consumers including coffee shops and sandwich bars in shops, petrol forecourts and transport hubs, and sports clubs, stadiums and event venues.
2. Hotels, pubs and restaurants. Food and drink wholesale distributors supply goods to the hospitality industry through hotels and guest houses, independent or branded pubs and social clubs and a range of restaurants.
3. Contract catering. Food and drink wholesale distributors supply goods to caterers which serve both business and the public sector. Public sector customers include hospitals, schools and local authorities.



**Retail:** coffee shops, sandwich bars, bakery stores, supermarket cafes



**Travel:** roadside, petrol forecourts, railway stations, airports, ports



**Leisure:** sports clubs, event catering, stadia, visitor attractions, entertainment venues



**Hotels:** full service, budget, guest houses, holiday parks, conference centres



**Pubs and bars:** branded and managed, tenanted and leased, independent, social clubs, nightclubs



**Restaurants:** fine dining, independent, fast food outlets, street food



**Contract catering for business:** contracted, in-house



**Contract catering for public sector:** defence, justice, healthcare, local authorities, oil rigs, education

## SELECTED COMPONENTS OF THE FOODSERVICE INDUSTRY

MCA, Oxford Farming Conference, the UK Foodservice Market, Jan 2017

# OVERVIEW OF THE UNITED KINGDOM FOODSERVICE/CATERING INDUSTRY



Source: Capital Economics and MCA, Oxford Farming Conference, the UK Foodservice Market, Jan 2017. Note: The turnover numbers refer to an estimate of the foodservice and catering elements of the described sectors at a national level.

# FOOD AND DRINK WHOLESALE DISTRIBUTORS SUPPLY ALMOST ONE QUARTER OF THE FOODSERVICE AND CATERING INDUSTRY

In 2016 revenue for food and drink wholesale distributors from foodservice customers was £11.4 billion. This supported a significant portion of the United Kingdom's foodservice market, which was estimated to be £87 billion by MCA. We estimate that it supplied 30 per cent of the value of all purchases by the foodservice sector. It is particularly important for contract catering businesses in which it supplies nearly all of the sub-sector. This includes schools, hospitals and government departments, as well as private businesses.

To estimate the number of jobs supported in the foodservice sector by food and drink wholesale distributors we have used data that is available from the British Hospitality Association's 2017 report, which looks at the entire hospitality industry.<sup>3</sup> Based on the value of sales to the hospitality industry, we estimate that food and drink wholesale distributors support 650,000 jobs, £34 billion of turnover and £14 billion of gross value added in the foodservice and catering sector.

<sup>3</sup>Ignite Economics, The economic contribution of the UK hospitality industry (British Hospitality Association, London), 2017

|  | TURNOVER<br>(£ billion) | ESTIMATED<br>INTERMEDIATE<br>CONSUMPTION<br>(£ billion) | PURCHASES FROM<br>WHOLESALE<br>DISTRIBUTORS<br>£ billion (share of<br>intermediate consumption) |
|--|-------------------------|---|---|
| <b>RETAIL</b>                                  |                         |   |   |
| TRAVEL   | 19.9                    | 8.6   | 1.9 (22%)   |
| LEISURE  |                         |   |   |
| <b>HOTELS</b>                                  |                         |   |   |
| PUBS AND BARS                                  | 63.0                    | 27.3  | 4.7 (17%)   |
| RESTAURANTS                                    |                         |   |   |
| <b>CONTRACT CATERING<br/>FOR BUSINESS</b>      | 4.2                     | 1.8   | ALMOST ALL  |
| <b>CONTRACT CATERING<br/>FOR PUBLIC SECTOR</b> |                         |   |   |
| <b>TOTAL</b>                                   | <b>87.1</b>             | <b>37.8</b>   | <b>11.4 (30%)</b>   |

## SHARE OF FOODSERVICE AND CATERING INDUSTRY SUPPLIED BY FOOD AND DRINK WHOLESALE DISTRIBUTORS, 2016

Source: Capital Economics and MCA, Oxford Farming Conference, the UK Foodservice Market, Jan 2017

## THE SECTOR SUPPORTS AROUND 540,000 JOBS ON LOCAL HIGH STREETS ACROSS THE COUNTRY



In total, we estimate that there are around **72,000** retail stores supplied by the food and drink wholesale distribution sector. These are largely small, independent stores that provide access to food, drink and other items to all areas of the country.

The Association of Convenience Store's Local Shop Report 2017 estimates that there are a total of 37,000 independent convenience stores, excluding multiple chains and co-operatives. These are spread throughout the country with 38 per cent in rural areas, 37 per cent in urban areas and 25 per cent in suburban areas.

In addition to independent convenience stores, food and drink wholesale distributors supply forecourts (5,000), supermarkets (3,000) and traditional and specialist retailers (27,000).

Using an average of 7.4 jobs per store from the Association of Convenience Store's Local Shop Report 2017, we estimate that the food and drink wholesale distribution sector supports a total of 537,000 jobs and generates **£17 billion** of value added.

**FOOD & DRINK  
WHOLESALE  
SUPPLY AN  
ESTIMATED  
70% OF  
PURCHASES  
BY 37,000  
NON-MULTIPLE  
CONVENIENCE  
STORES**

# THE NATIONAL LIVING WAGE HAS PROVIDED CHALLENGES

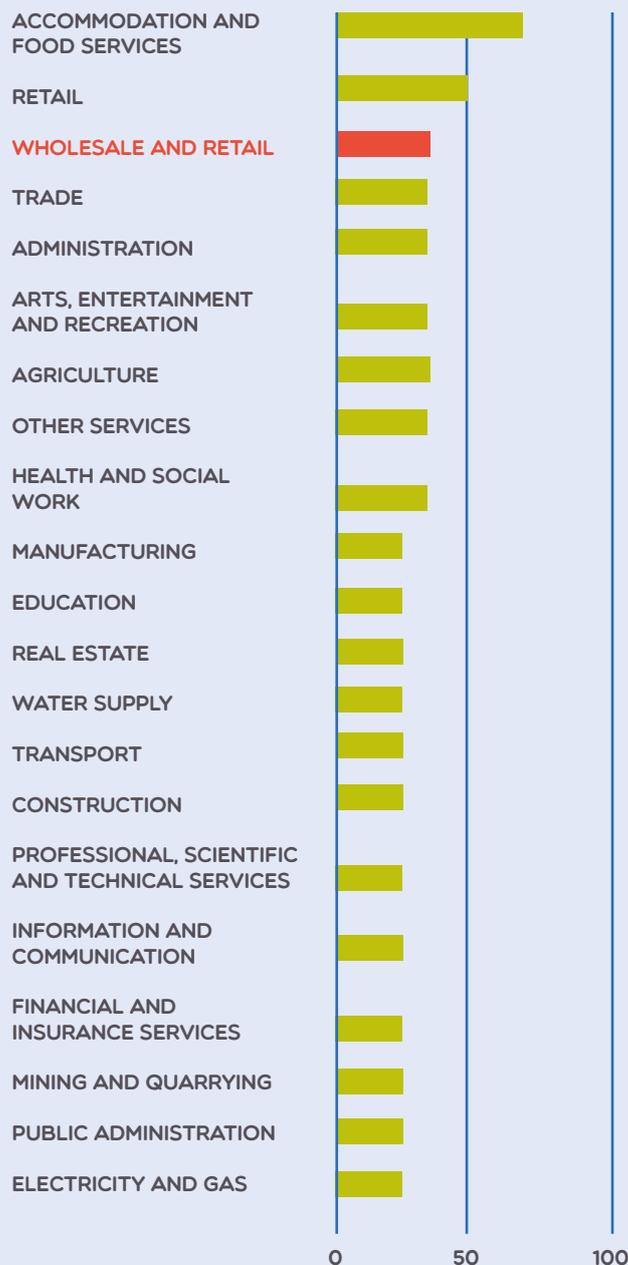
A new National Living Wage was introduced in the Conservative government's 2015 summer budget. In April 2016, all workers aged 25 and above were guaranteed £7.20 per hour, which was a 50 pence increase on the previous National Minimum Wage of £6.70. The National Living Wage currently sits at £7.50 per hour and is due to increase to £7.83 in April 2018.

The National Living Wage will continue to rise each year in order to reach 60 per cent of median earnings by 2020, with the schedule set by the Low Pay Commission.<sup>1</sup> Based on forecasts from the Office of Budget Responsibility, the National Living Wage will be over £9.00 per hour by 2020.<sup>2</sup>

However, the aggregate figures hide the fact that the impact on different sectors will vary considerably. In 2014, before the imposition of the legislation, less than ten per cent of workers were below the £7.20 threshold in sectors such as finance, construction and manufacturing, while up to thirty per cent of workers in the wholesale sector earned less than £7.20 per hour.

<sup>1</sup>Department for Business, Innovation and Skills, National Minimum Wage – Low Pay Commission remit 2016 (Department for Business, Innovation and Skills, London), 2015

<sup>2</sup>Office for Budget Responsibility, Economic and fiscal outlook, July 2015 (Office for Budget Responsibility, London), 2015



**VULNERABILITY TO THE NATIONAL LIVING WAGE BY SECTOR BASED ON THE PROPORTION OF JOBS BELOW £7.20 PER HOUR IN 2014**

Sources: Capital Economics and Office for National Statistics

# RECENT YEARS HAVE SEEN WAGE INCREASES FOR WORKERS

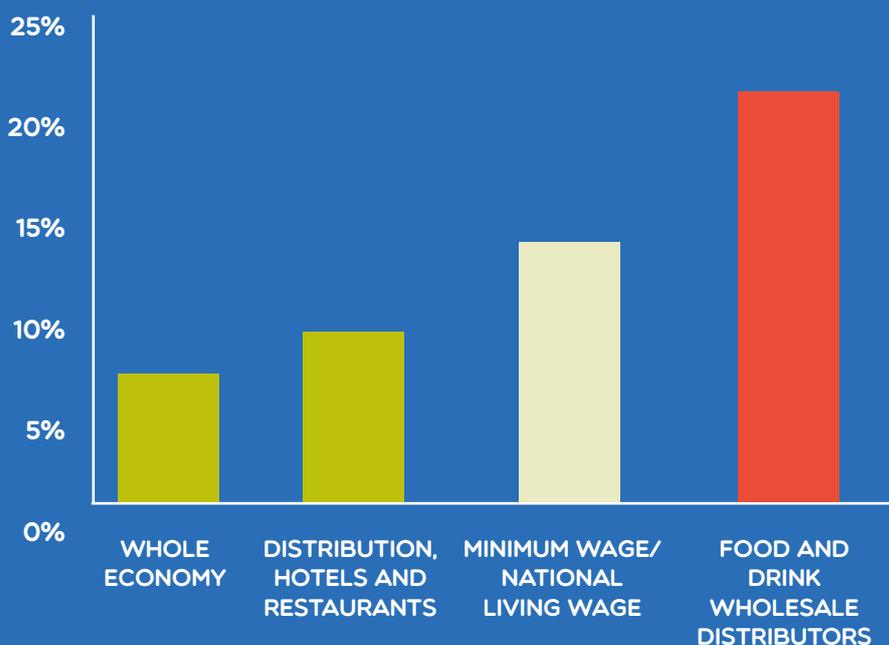
The imposition of the National Living Wage seems to have put upward pressure on wages and had a negative impact on employment and profits in the food and drink wholesale distribution sector. However, it is difficult to fully attribute the fall in employment to rising wage costs as employment may also be impacted by factors such as automation and increasing efficiency.

Meanwhile, workers in the sector have benefited from higher incomes. According to our survey of wholesale distributors, **the average wage for a full time worker was £34,000 in 2016 compared to £29,000 in 2013**. This represents an increase of nineteen per cent (seventeen per cent in real terms), compared to a six per cent increase across the whole economy.

Although survey results should be treated with some caution, the results seem to suggest that the companies in the sector have been disproportionately

affected by the National Living Wage. Official statistics show that average wages in the distribution, hotels and restaurants sector increased by over nine per cent since 2013, above the national average, which supports the idea that wholesale distribution has been disproportionately burdened by the legislation.

The survey results suggest that margins are being squeezed, with profits of 2.1 per cent of turnover in 2016 compared to 2.8 per cent in 2013. At the same time, the number of employees in the sector has fallen from 66,000 to 59,000.



**INCREASE IN AVERAGE WAGES BETWEEN 2013 AND 2016**

Source: Capital Economics' analysis of survey of food and drink wholesalers and the Office for National Statistics



# FOODSERVICE PROVIDERS AND CATERERS COVER A WIDE RANGE OF ACTIVITIES

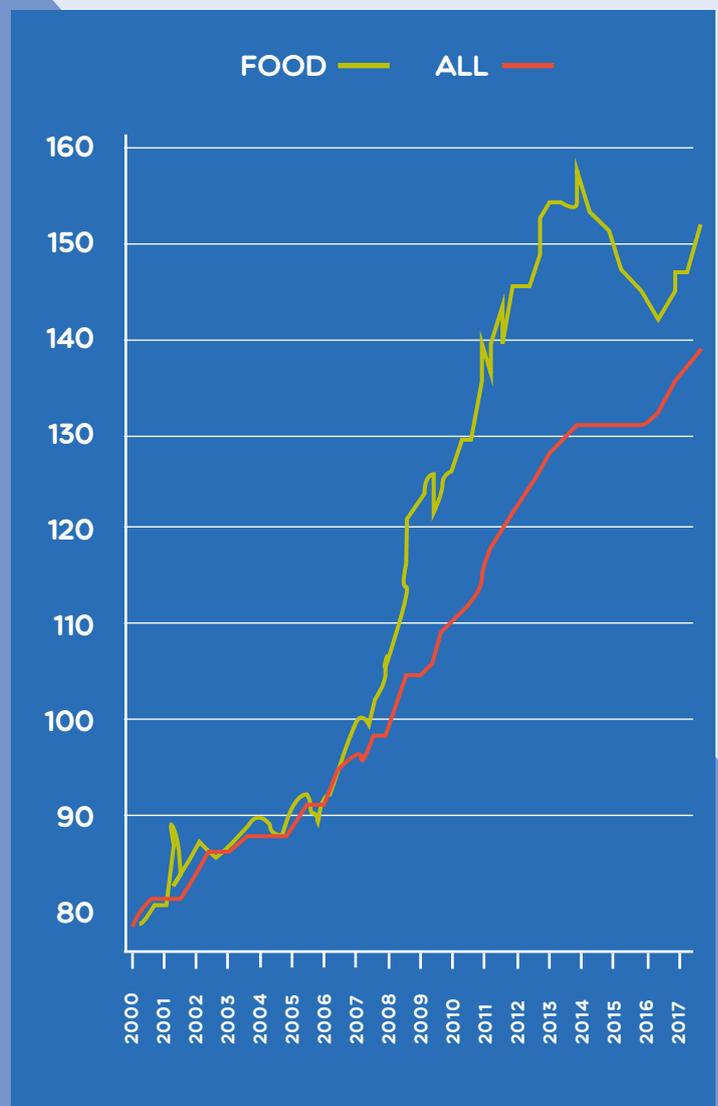
Between 2007 and the end of 2013, food prices in the United Kingdom rose by almost 60 per cent compared to an increase in prices of less than 40 per cent across the economy as a whole. Food prices fell back between early 2014 and mid-2016 but have risen strongly again since. Meanwhile, the rate of increase of food prices is set to continue to outstrip overall inflation over the next few years.

High rates of food inflation put pressure on those in the food sector, including manufacturers, wholesalers, retailers and consumers.

There are two reasons why it is particularly difficult for food and drink wholesale distributors to limit the impact on their profitability by raising their prices or negotiating terms with their suppliers.

First, food and drink wholesaling to retail customers is generally not covered by long term contracts, and, as such, any price increases will make sellers less competitive and have a direct impact on sales. The competitive nature of the market means that any price increases are likely to simply result in customers shopping elsewhere.

Second, although some food and drink wholesale distribution companies are large in their own right and others have joined together in buying groups, they still aren't big enough to have the same buying power as supermarkets.



CONSUMER PRICE INFLATION, JANUARY 2001 = 100

Source: Capital Economics and Thomson Reuters



Over 90 per cent of the value of direct purchases by food and drink wholesale distributors are from suppliers in the United Kingdom, as represented by the inner circle in the chart. However, the food and drink manufacturers that they purchase from, represented by the outer circle, import a much larger share of their goods and 70 per cent of their imports come from the European Union.

As such, the sector would be best served by a comprehensive trade deal which keeps tariffs or trade barriers to a minimum. If there is no deal agreed between the United Kingdom and the European Union,

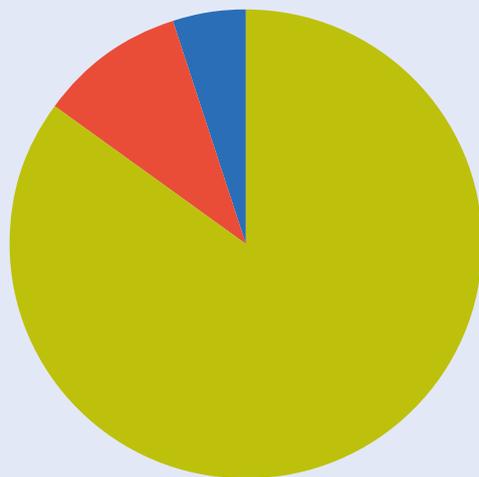
which remains a possibility, trade will be conducted under World Trade Organisation rules. On the whole, the tariffs imposed under these rules aren't overly burdensome. However, the sectors which they will affect most are related to food, drinks and tobacco. The average tariff for agricultural products is eleven per cent while for beverages and tobacco it is almost twenty per cent.

If a free trade agreement is not reached then the food and drink wholesale distribution sector will face further upward pressure on their suppliers' prices.

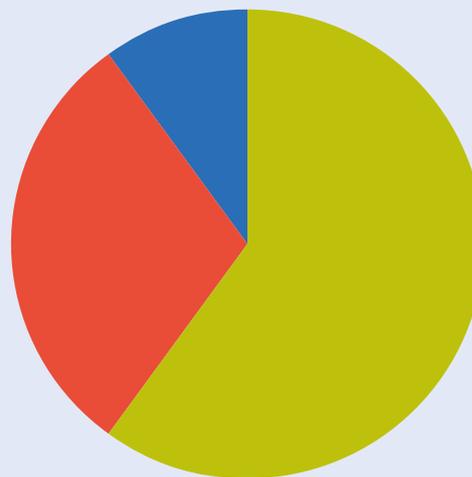
### SHARE OF PRODUCTS PURCHASED BY LOCATION OF SUPPLIER, 2016.

■ UNITED KINGDOM    ■ EUROPEAN UNION (excluding United Kingdom)    ■ OTHER

REPRESENTS FOOD AND DRINK WHOLESALE DISTRIBUTORS.



REPRESENTS UNITED KINGDOM FOOD, DRINK AND TOBACCO MANUFACTURERS



Source: Capital Economics' analysis of survey of food and drink wholesalers



# AUTOMATION OF JOBS IN THE SECTOR IS A REAL POSSIBILITY IN COMING DECADES

Developments in Artificial Intelligence, robotics and other digital technologies provide the potential to replace workers for some roles in the United Kingdom over the coming decades. The food and drink wholesale distribution sector will need to adapt to new ways of working, while recognising that there is a significant long term threat to some jobs in the sector.

The overall net impact of these new technologies is unclear given that most studies in the area have focused on the gross negative impact on current jobs in particular sectors, while there will also be positive impacts as new technologies will boost productivity and generate additional jobs elsewhere in the economy. Nevertheless, many current jobs, particularly in low skilled and manual roles, are at risk. A study by PWC

estimates that up to 30 per cent of United Kingdom jobs are at high risk of automation by the early 2030s. The impacts on different sectors vary widely, with the most jobs at high risk in the wholesale and retail sector. PWC estimate that 2.3 million jobs, or 44 per cent of current jobs, in the wholesale and retail sector are at high risk of automation by the early 2030s.

A study by Deloitte concurs with the finding that the wholesale and retail sector has the greatest number of jobs with a high chance of automation in the next ten to twenty years. Furthermore, they estimate that there has already been a net loss of 239,000 jobs in this sector that had a high risk of automation between 2001 and 2015. This suggests that automation may already be having a tangible impact on the number of jobs in the sector.

|                                   | EMPLOYMENT SHARE (%) | JOB AUTOMATION (share at potential high risk) | JOBS AT HIGH RISK OF AUTOMATION (millions) |
|-----------------------------------|----------------------|---|--|
| <b>WHOLESALE AND RETAIL TRADE</b> | <b>15%</b>           | <b>44%</b>                                    | <b>2.3</b>                                 |
| MANUFACTURING                     | 8%                   | 46%   | 1.2  |
| ADMINISTRATIVE AND SUPPORT        | 8%                   | 37%   | 1.1  |
| TRANSPORTATION AND STORAGE        | 5%                   | 56%   | 1.0  |
| PROFESSIONAL AND SCIENTIFIC       | 9%                   | 26%   | 0.8  |
| HEALTH AND SOCIAL WORK            | 12%                  | 17%   | 0.7  |
| ACCOMMODATION AND FOOD            | 7%                   | 26%   | 0.6  |
| CONSTRUCTION                      | 6%                   | 24%   | 0.5  |
| PUBLIC SECTOR                     | 4%                   | 32%   | 0.5  |
| INFORMATION & COMMUNICATION       | 4%                   | 27%   | 0.4  |
| FINANCIAL AND INSURANCE           | 3%                   | 32%   | 0.4  |
| EDUCATION                         | 9%                   | 9%  | 0.3  |
| ARTS AND ENTERTAINMENT            | 3%                   | 22%   | 0.2  |
| OTHER SERVICES                    | 3%                   | 19%   | 0.2  |
| REAL ESTATE                       | 2%                   | 28%   | 0.2  |

Source: John Hawksworth, Barret Kupelian, Richard Berriman and Duncan Mckellar, UK Economic Outlook March 2017 (PWC, London)

## DIRECT IMPACT

In this section we assess the scale and nature of the direct economic contribution of the food and drink wholesale distribution sector



# THE SECTOR SUPPORTS AROUND 540,000 JOBS ON LOCAL HIGH STREETS ACROSS THE COUNTRY

We estimate that food and drink wholesale distributors in the United Kingdom turned over around **£29 billion** in 2016.

The largest revenue stream came from supplying predominantly small independent retailers, which accounted for 58 per cent of total turnover. Foodservice customers comprised the second

largest component of the business, accounting for 39 per cent of turnover. The remaining three per cent was comprised of private business users and other activities.

Orders delivered directly to customers were responsible for revenue of £15.9 billion (or 55 per cent of the total) while £13.1 billion came from cash and carry business.

|  | CASH AND CARRY<br>(£ million) | DELIVERED<br>(£ million) | TOTAL<br>(£ million) |
|--|-------------------------------|--------------------------|----------------------|
| RETAIL   | 7,600                         | 9,300                    | 16,800               |
| <b>FOODSERVICE</b><br>(goods supplied to caterers on via cash and carry, ad-hoc delivery or delivery on a contractual basis)             | 5,100                         | 6,200                    | 11,400               |
| <b>PRIVATE BUSINESS USERS</b><br>(customers that buy goods for personal or business use that are not intended to be sold on at a margin) | 300                           | 300                      | 600                  |
| OTHER  | 100                           | 100                      | 200                  |
| <b>TOTAL</b>   | <b>13,100</b>                 | <b>15,900</b>            | <b>29,000</b>        |

## VALUE OF TURNOVER OF THE FOOD AND DRINK WHOLESALE DISTRIBUTION SECTOR BY TYPE OF CUSTOMER, 2016

Source: Capital Economics' analysis of survey of food and drink wholesalers

# THE SECTOR PROVIDES 59,000 JOBS ACROSS THE UNITED KINGDOM

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We estimate that there were a total of just over 59,000 people employed by food and drink wholesale distributors in 2016. Accounting for part time workers, this translates into the equivalent of around 48,000 full time jobs. The majority of jobs (53,000) were provided in the depots while there were 6,000 jobs in headquarter based operations.

Unlike some other industries, such as car manufacturing or investment banking, the activity of food and drink wholesale distributors is widely spread throughout the United Kingdom.

There are a significant number of wholesalers' depots located in all regions and devolved nations to distribute goods to independent retailers and caterers in local communities. Indeed, the geographical distribution of jobs shows that it is some of the less prosperous regions that benefit the most from the industry. Compared with the share of all jobs nationally, food and drink wholesale distribution is more concentrated in the North West, West Midlands and all three devolved nations, and less represented in London and the South East.



# THE SECTOR PROVIDES 59,000 JOBS ACROSS THE UNITED KINGDOM

**NORTHERN IRELAND**

|                           |       |
|---------------------------|-------|
| DEPOT OPERATIONS (number) | 1,830 |
| HEADQUARTER OPERATIONS    | 120   |
| TOTAL (number)            | 1,950 |
| TOTAL (FTE)               | 1,570 |

**YORKSHIRE & THE HUMBER**

|                           |       |
|---------------------------|-------|
| DEPOT OPERATIONS (number) | 3,850 |
| HEADQUARTER OPERATIONS    | 570   |
| TOTAL (number)            | 4,430 |
| TOTAL (FTE)               | 3,560 |

**WEST MIDLANDS**

|                           |       |
|---------------------------|-------|
| DEPOT OPERATIONS (number) | 4,800 |
| HEADQUARTER OPERATIONS    | 680   |
| TOTAL (number)            | 5,490 |
| TOTAL (FTE)               | 4,420 |

**EAST**

|                           |       |
|---------------------------|-------|
| DEPOT OPERATIONS (number) | 4,580 |
| HEADQUARTER OPERATIONS    | 560   |
| TOTAL (number)            | 5,140 |
| TOTAL (FTE)               | 4,130 |

**SOUTH WEST**

|                           |       |
|---------------------------|-------|
| DEPOT OPERATIONS (number) | 4,500 |
| HEADQUARTER OPERATIONS    | 460   |
| TOTAL (number)            | 4,960 |
| TOTAL (FTE)               | 4,000 |

**SOUTH EAST**

|                           |       |
|---------------------------|-------|
| DEPOT OPERATIONS (number) | 5,460 |
| HEADQUARTER OPERATIONS    | 1,080 |
| TOTAL (number)            | 6,540 |
| TOTAL (FTE)               | 5,270 |



## UNITED KINGDOM

|                           |        |
|---------------------------|--------|
| DEPOT OPERATIONS (number) | 53,270 |
| DEPOT OPERATIONS (number) | 6,110  |
| TOTAL (number)            | 59,380 |
| TOTAL (FTE)               | 47,800 |



## SCOTLAND

|                           |       |
|---------------------------|-------|
| DEPOT OPERATIONS (number) | 5,860 |
| HEADQUARTER OPERATIONS    | 390   |
| TOTAL (number)            | 6,250 |
| TOTAL (FTE)               | 5,030 |



## NORTH EAST

|                           |       |
|---------------------------|-------|
| DEPOT OPERATIONS (number) | 7,140 |
| HEADQUARTER OPERATIONS    | 140   |
| TOTAL (number)            | 2,020 |
| TOTAL (FTE)               | 1,620 |



## NORTH WEST

|                           |       |
|---------------------------|-------|
| DEPOT OPERATIONS (number) | 7,140 |
| HEADQUARTER OPERATIONS    | 580   |
| TOTAL (number)            | 7,720 |
| TOTAL (FTE)               | 6,220 |



## EAST MIDLANDS

|                           |       |
|---------------------------|-------|
| DEPOT OPERATIONS (number) | 3,660 |
| HEADQUARTER OPERATIONS    | 560   |
| TOTAL (number)            | 4,220 |
| TOTAL (FTE)               | 3,400 |



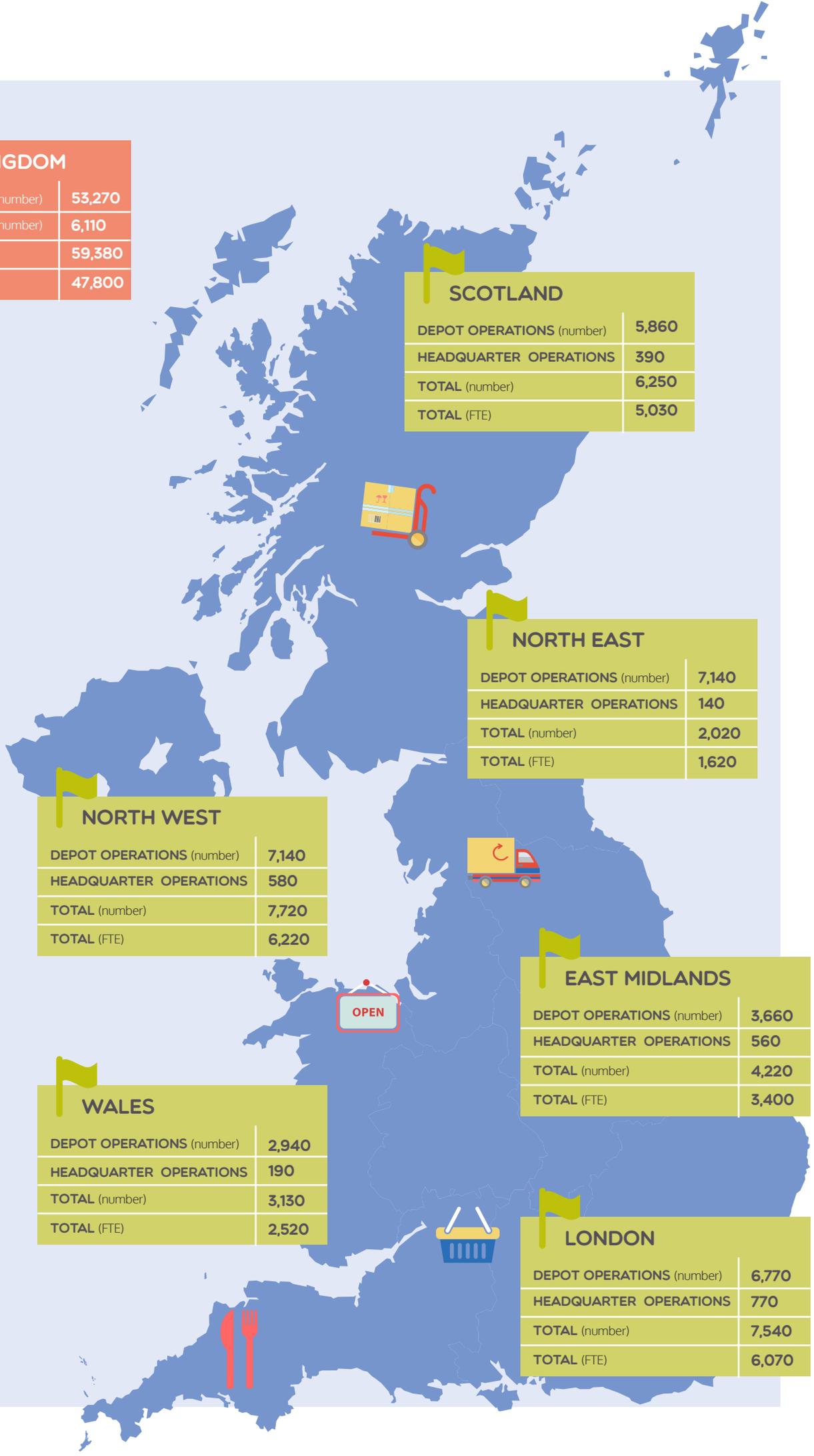
## WALES

|                           |       |
|---------------------------|-------|
| DEPOT OPERATIONS (number) | 2,940 |
| HEADQUARTER OPERATIONS    | 190   |
| TOTAL (number)            | 3,130 |
| TOTAL (FTE)               | 2,520 |



## LONDON

|                           |       |
|---------------------------|-------|
| DEPOT OPERATIONS (number) | 6,770 |
| HEADQUARTER OPERATIONS    | 770   |
| TOTAL (number)            | 7,540 |
| TOTAL (FTE)               | 6,070 |





# £3 BILLION OF VALUE IS ADDED TO THE ECONOMY ANNUALLY BY THE SECTOR

Gross value added is a measure of the contribution made by a company or industry to overall economic activity. We estimate that the food and drink wholesale distribution sector generated £3 billion in 2016.

The value added by each worker (or productivity) is around £51,000, which is above the average rate of productivity for all non-financial businesses of £49,900.

|       | COMPENSATION OF EMPLOYEES (£ million) | PROFITS (£ million) | TAXES (£ million) | GROSS VALUE ADDED (£ million) |
|-------|---------------------------------------|---------------------|-------------------|-------------------------------|
| TOTAL | 1,870                                 | 620                 | 530               | 3,000                         |

## GROSS VALUE ADDED IN THE FOOD AND DRINK WHOLESALE DISTRIBUTION SECTOR, 2016

| INDUSTRY  | GROSS VALUE ADDED PER WORKER (£) |
|---|----------------------------------|
| COMPUTER PROGRAMMING                            | 77,300                           |
| LEGAL AND ACCOUNTING                            | 66,500                           |
| ARCHITECTURE                                    | 59,500                           |
| <b>FOOD AND DRINK WHOLESALE DISTRIBUTION</b>    | <b>50,800</b>                    |
| ALL NON-FINANCIAL SECTORS                       | 49,900                           |
| CREATIVE INDUSTRIES                             | 46,200                           |
| TEXTILES  | 40,900                           |
| POSTAL AND COURIER                              | 38,400                           |
| MOTION PICTURE, VIDEO AND TELEVISION PRODUCTION | 33,000                           |
| TAXI OPERATION                                  | 20,100                           |

## PRODUCTIVITY AS MEASURED BY GROSS VALUE ADDED PER WORKER, 2016

Source: Capital Economics' analysis of survey of food and drink wholesalers and Office for National Statistics' Annual Business Survey

# WHOLESALE DISTRIBUTORS GENERATE £830 MILLION FOR THE EXCHEQUER ANNUALLY

The activities of food and drink wholesale distributors generated £830 million in taxes in 2016. This included £300 million in value added tax, £170 million in employers' national insurance contributions, £150 million in business rates and £70 million in corporation tax.

|                               | INDIVIDUAL<br>WHOLESALEERS<br>(£ million) | BUYING<br>GROUPS<br>(£ million) | TOTAL<br>(£ million) |
|-------------------------------|---|---------------------------------|----------------------|
| CORPORATION TAX               | 40  | 30                              | 70                   |
| VALUE ADDED TAX               | 170                                       | 130                             | 300                  |
| EMPLOYERS' NATIONAL INSURANCE | 110                                       | 60                              | 170                  |
| BUSINESS RATES                | 90  | 70                              | 150                  |
| OTHER                         | 80  | 60                              | 130                  |
| <b>TOTAL</b>                  | <b>490</b>                                | <b>340</b>                      | <b>830</b>           |

## TAXES PAID BY THE FOOD AND DRINK WHOLESALE DISTRIBUTION SECTOR, 2016

Source: Capital Economics' analysis of survey of food and drink wholesalers



# MULTIPLIER IMPACTS

In this section we assess the scale and nature of the economic activity supported by the purchases of food and drink wholesale distributors and the spending of their employees





# WHOLESALE DISTRIBUTORS SPENT OVER £24 BILLION ON SUPPLIERS

Expenditure by the food and drink wholesale distributors stimulates further economic activity in the supply chain that they support.

Based on our survey we estimate that in 2016 companies within the sector spent a total of £24 billion on their suppliers. The majority of this spending was directed towards food, drink

and tobacco manufacturers. Spending on tobacco products totalled £7.4 billion, while £7.2 billion was spent on food and £4.1 billion on drinks.

The rest of their expenditure was on a mixture of household goods, clothing, toiletries and electronics, as well as general business expenses including office and depot space, delivery vehicles and legal and accounting services.

|   | EXPENDITURE<br>(£ million) |
|---|----------------------------|
| <b>SPENDING ON STOCK</b>                    | <b>22,200</b>              |
| FRESH FOOD                                  | 1,900                      |
| FROZEN FOOD                                 | 1,900                      |
| SNACKS AND OTHER FOOD                       | 3,400                      |
| ALCOHOLIC DRINKS                            | 1,900                      |
| NON-ALCOHOLIC DRINKS                        | 2,200                      |
| TOBACCO                                     | 7,400                      |
| OTHER (EG. HOUSEHOLD PRODUCTS, ELECTRONICS) | 3,600                      |
| <b>SPENDING OTHER THAN STOCK</b>            | <b>2,000</b>               |
| CURRENT EXPENDITURE                         | 1,500                      |
| CAPITAL EXPENDITURE                         | 400                        |
| <b>TOTAL</b>                                | <b>24,200</b>              |

## EXPENDITURE ON SUPPLIERS BY THE FOOD AND DRINK WHOLESALE DISTRIBUTION SECTOR, 2016

Source: Capital Economics' analysis of survey of food and drink wholesalers

# OVER 100,000 JOBS SUPPORTED IN THE SUPPLY CHAIN

The expenditure of food and drink wholesale distributors supports economic activity through their supply chain. The firms supplying wholesale distributors use the income to support jobs and activity, as well as spending a proportion of it on other companies, who in turn go through the same process.

Overall, we estimate that the expenditure of food and drink wholesale distributors supports over 100,000 jobs and £7.4 billion in gross value added in the United Kingdom.

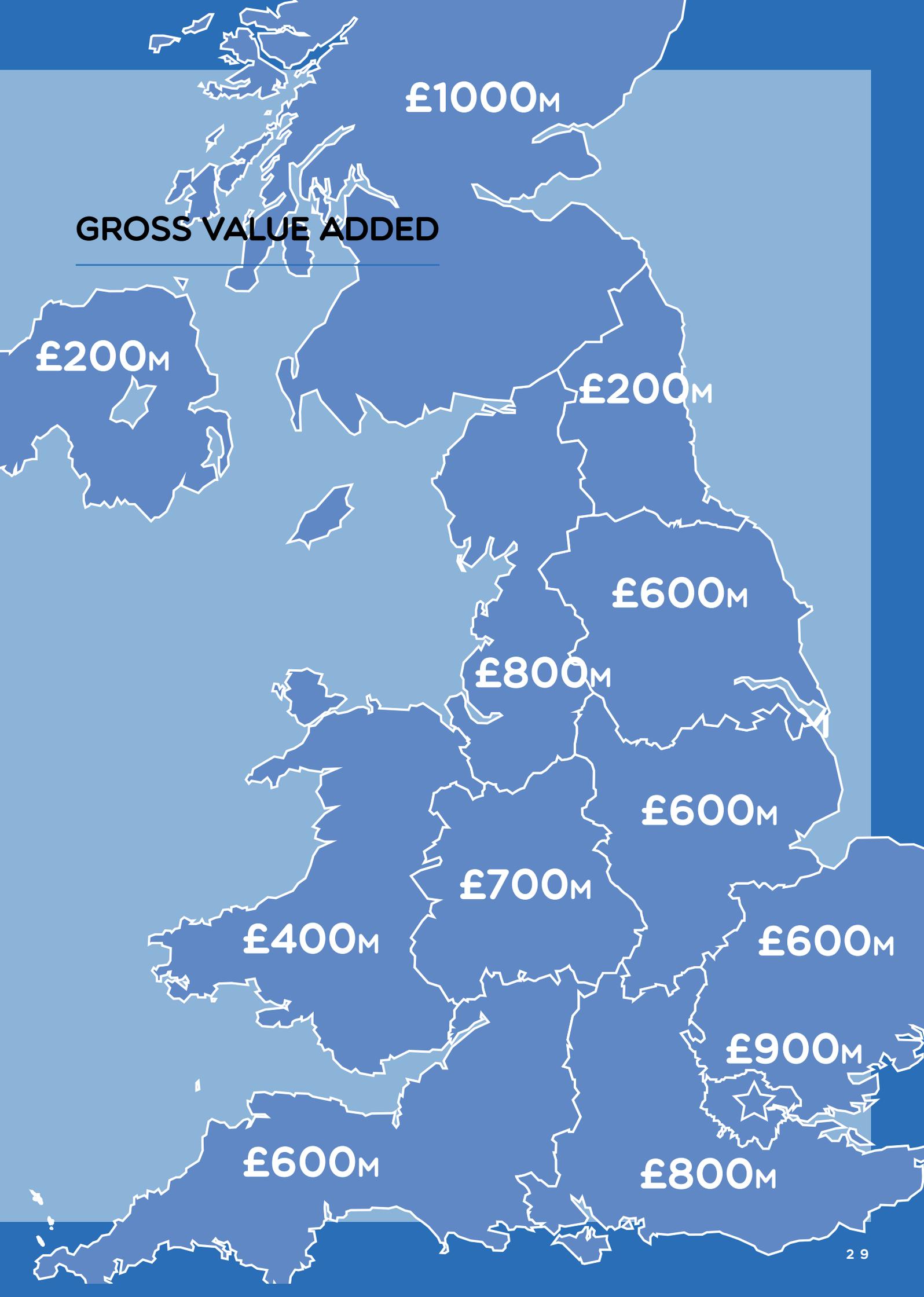
The benefits are felt across all regions and devolved nations. The largest number of jobs supported are in London, the South East, Scotland and the North West.



|                          | EMPLOYEES<br>(number) | TURNOVER<br>(£ million) | GROSS VALUE<br>ADDED<br>(£ million) |
|--------------------------|-----------------------|-------------------------|-------------------------------------|
| NORTH EAST               | 2,900                 | 1,000                   | 200                                 |
| NORTH WEST               | 11,000                | 3,500                   | 800                                 |
| YORKSHIRE AND THE HUMBER | 9,000                 | 2,900                   | 600                                 |
| EAST MIDLANDS            | 9,400                 | 3,000                   | 600                                 |
| WEST MIDLANDS            | 9,100                 | 3,200                   | 700                                 |
| EAST                     | 9,200                 | 2,800                   | 600                                 |
| LONDON                   | 13,300                | 4,100                   | 900                                 |
| SOUTH EAST               | 12,100                | 3,700                   | 800                                 |
| SOUTH WEST               | 8,000                 | 2,700                   | 600                                 |
| WALES                    | 5,200                 | 1,700                   | 400                                 |
| SCOTLAND                 | 11,300                | 4,900                   | 1,000                               |
| NORTHERN IRELAND         | 2,900                 | 1,000                   | 200                                 |
| UNITED KINGDOM           | 103,200               | 34,400                  | 7,400                               |

## ECONOMIC ACTIVITY SUPPORTED BY FOOD AND DRINK WHOLESALE DISTRIBUTORS (PURCHASES, 2016)

Source: Capital Economics' analysis of survey of food and drink wholesalers and the Office for National Statistics



**GROSS VALUE ADDED**

£200M

£1000M

£200M

£600M

£800M

£600M

£700M

£600M

£900M

£600M

£800M

# EMPLOYEES SPEND £1.4 BILLION ON UNITED KINGDOM BASED BUSINESSES

Further economic activity is supported by the spending of employees on goods and services in the wider economy.

In 2016, employees of the industry spent an estimated total of £1.4 billion on goods and services provided by United Kingdom businesses. This includes spending locally, online and on businesses located in other areas of the country to where they live and work.

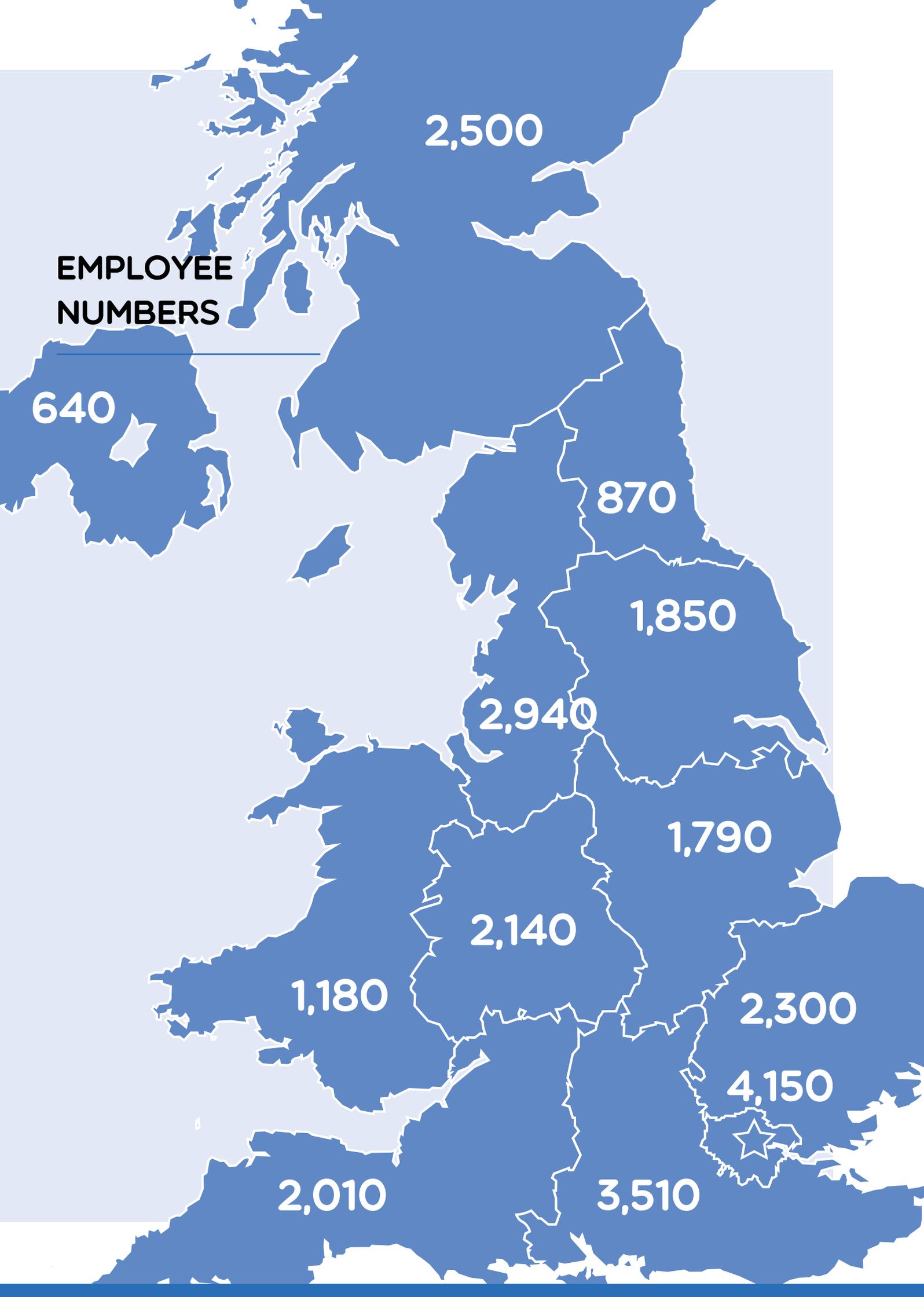
Overall, this spending supports over 25,000 jobs and £1 billion of gross value added across the country.

|                          | EMPLOYEES<br>(number) | TURNOVER<br>(£ million) | GROSS VALUE<br>ADDED<br>(£ million) |
|--------------------------|-----------------------|-------------------------|-------------------------------------|
| NORTH EAST               | 870                   | 80                      | 40                                  |
| NORTH WEST               | 2,940                 | 260                     | 120                                 |
| YORKSHIRE AND THE HUMBER | 1,830                 | 170                     | 70                                  |
| EAST MIDLANDS            | 1,790                 | 160                     | 70                                  |
| WEST MIDLANDS            | 2,140                 | 200                     | 90                                  |
| EAST                     | 2,300                 | 200                     | 90                                  |
| LONDON                   | 4,150                 | 400                     | 180                                 |
| SOUTH EAST               | 3,510                 | 320                     | 140                                 |
| SOUTH WEST               | 2,010                 | 180                     | 80                                  |
| WALES                    | 1,180                 | 110                     | 50                                  |
| SCOTLAND                 | 2,500                 | 240                     | 110                                 |
| NORTHERN IRELAND         | 640                   | 60                      | 30                                  |
| <b>UNITED KINGDOM</b>    | <b>25,860</b>         | <b>2,370</b>            | <b>1,050</b>                        |

## ECONOMIC ACTIVITY SUPPORTED BY THE SPENDING OF FOOD AND DRINK WHOLESALE DISTRIBUTION EMPLOYEES, 2016

Source: Capital Economics' analysis of survey of food and drink wholesalers and the Office for National Statistics

**EMPLOYEE  
NUMBERS**



# OVERALL IMPACT

In this section we assess the scale and nature of the entire value chain in which food and drink wholesale distributors operate





# OVERALL AROUND 1.3 MILLION DOMESTIC JOBS ARE SUPPORTED BY FOOD AND DRINK WHOLESALE DISTRIBUTION

The food and drink wholesale distribution sector makes a significant contribution to the United Kingdom economy. We have found:

- The food and drink wholesale distribution sector is a crucial part of a value chain which connects large food and drink manufacturers with small independent shops and foodservice providers
- Food and drink wholesale distributors generate £3 billion of value added annually and provide employment for 59 thousand people (direct impact)
- As well as the value created and people employed in food and drink wholesale distributors themselves, they support economic activity in their supply chain and through the spending of their employees, totalling 129 thousand jobs and £8.4 billion of value added (multiplier impact)
- Wholesale distributors supply retailers and foodservice providers, supporting around 1.2 million jobs and £32 billion of value added in these sectors (customer impact)
- In total, we estimate that the sector supports almost 1.4 million jobs across the United Kingdom, generating £43 billion of value added to the economy annually

|  | EMPLOYEES<br>(number) | TURNOVER<br>(£ million) | GROSS VALUE<br>ADDED<br>(£ million) |
|--|-----------------------|-------------------------|-------------------------------------|
| DIRECT IMPACT  | 59                    | 29                      | 3.0                                 |
| MULTIPLIER IMPACT                                    | 129                   | 37                      | 8.4                                 |
| SUPPORTED BY WHOLESALERS<br>PURCHASES FROM SUPPLIERS | 103                   | 34                      | 7.4                                 |
| SUPPORTED BY SPENDING OF<br>WHOLESALE EMPLOYEES      | 26                    | 2                       | 1.0                                 |
| CUSTOMER IMPACT                                      | 1,187                 | 64                      | 31.8                                |
| SUPPORTED IN RETAIL STORES                           | 537                   | 30                      | 17.4                                |
| SUPPORTED IN FOODSERVICE                             | 650                   | 34                      | 14.3                                |
| TOTAL  | 1,376                 | 130                     | 43.2                                |

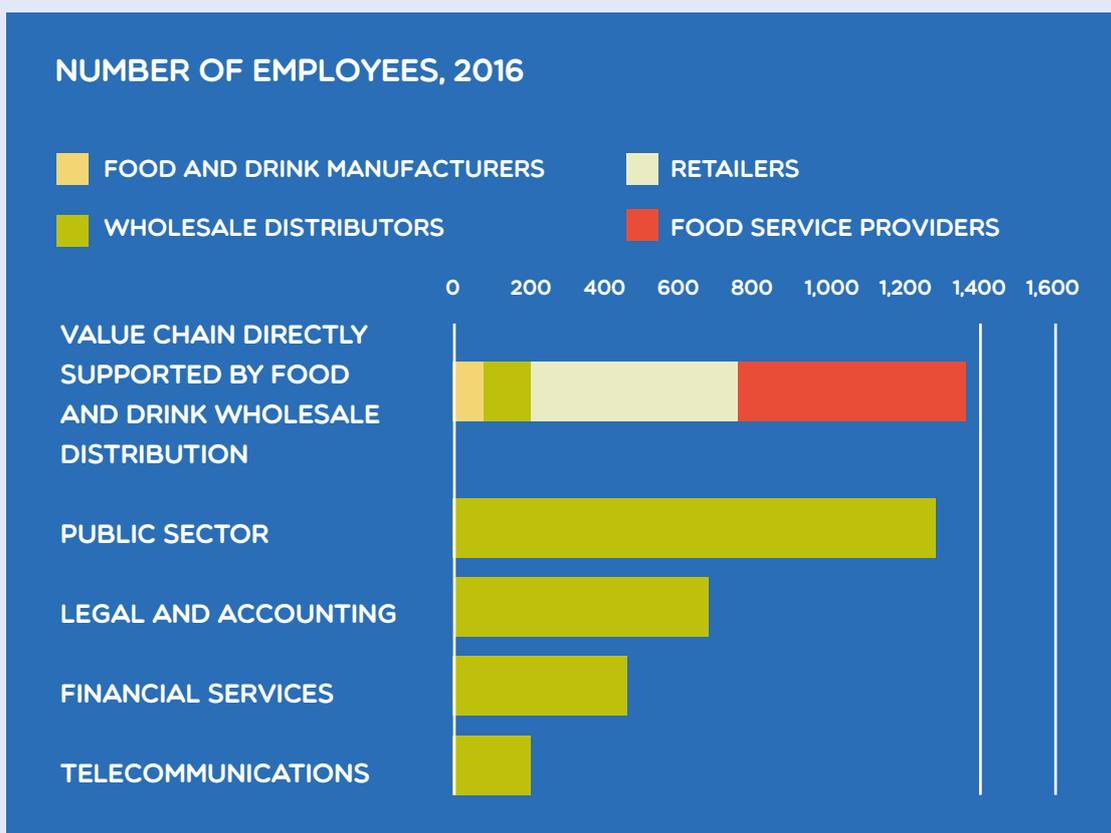
## OVERALL ECONOMIC ACTIVITY SUPPORTED BY THE FOOD AND DRINK WHOLESALE DISTRIBUTION INDUSTRY, 2016

Source: Capitel Economics' analysis of survey of food and drink wholesalers and the Office for National Statistics



# FOOD AND WHOLESALE DISTRIBUTION SUPPORTS A SIGNIFICANT SHARE OF THE ECONOMY

Food and drink wholesale distributors operate in a value chain connecting food, drink and tobacco manufacturers with retailers and foodservice providers. In total, these sectors employ 4.9 million people nationally, or seventeen per cent of the workforce. We have estimated that the value chain that food and drink wholesale distributors are directly involved in supports 1.4 million people across the country, or 4.7 per cent of the workforce. The employment supported by the value chain as a whole is larger than major industries in the economy such as the entire public sector, financial services or telecommunications.



Source: Capital Economics' analysis of survey of food and drink wholesalers and the Office for National Statistics

# ABOUT US

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## ABOUT FWD

The Federation of Wholesale Distributors is the member organisation for UK wholesalers operating in the grocery and foodservice markets supplying independent retailers and caterers.

## ABOUT CAPITAL ECONOMICS

Capital Economics is one of the leading independent macro-economic research companies in the world, providing research on the US, Canada, Europe, Africa, Asia and Australasia, Latin America, the Middle East and the UK, as well as analysis of financial markets, commodities and the consumer and property sectors.

Founded in 1999, by the leading economist Roger Bootle, Capital Economics conduct research for companies, government agencies, and trade associations.



# THE WHOLE SOCIETY

[www.fwd.co.uk](http://www.fwd.co.uk)



**fwd** FEDERATION OF  
WHOLESALE  
DISTRIBUTORS